

NSW Coal Compensation Board

ANNUAL REPORT 2005



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Incorporating the
NSW Coal Compensation
Review Tribunal
Annual Report 2005



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LETTER TO THE MINISTER

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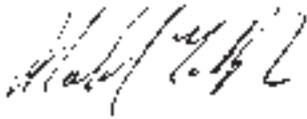
The Hon Ian Macdonald MLC
Minister for Mineral Resources
Parliament House
SYDNEY NSW 2000

Dear Mr Macdonald

In accordance with clause 7(1) of the *Coal Acquisition (Compensation) Arrangements 1985* the Coal Compensation Board is pleased to present its twenty-first Annual Report. This report covers the year ending 30 June 2005.

This report is required to be laid before each House of Parliament in accordance with the *Annual Reports (Statutory Bodies) Act 1984* and the *Coal Acquisition (Compensation) Arrangements 1985*.

Yours sincerely



Alastair Fotheringham
Chairperson

CHAIRPERSON'S REPORT

Alastair Fotheringham
Chairperson



I am pleased to present to the Minister, Members of the New South Wales Parliament and the people of New South Wales, the 21st Annual Report of the New South Wales Coal Compensation Board.

Although the year was a difficult one for the Board, the CEO and staff are to be commended for achieving the Government's objectives for the Coal Compensation Scheme. The year saw the organisation relocate from St Leonards to the CBD and to Maitland with the loss of some staff. Following a Government decision to finish the Board's work some 3 years earlier in March 2007, a recruitment drive was commenced in November 2004 to more than double the Board's staff. However, this action has proven difficult as the current mining boom has resulted in a shortage of professional mining staff.

Introduction of the *Coal Acquisition Amendment (Fair Compensation) Act 2005* will provide greater certainty on the impact of coal compensation on the State budget. Until the Act was passed compensation applications could not be determined.

As new employees are trained the Board will accelerate finalising of claims and is committed to completing work by March 2007.

A handwritten signature in black ink, appearing to read 'Alastair Fotheringham'.

Alastair Fotheringham
Chairperson

CHIEF EXECUTIVE OFFICER'S REPORT

Harry Bowman
Chief Executive Officer



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By the end of June 2005 the Board had successfully met all of its operational targets including the payment of approximately \$40m in compensation. Finalisation of compensation applications under the Reacquisition Scheme during 2004/05 was delayed by both litigation and the desire of the Government to introduce legislation to provide for fair compensation. These issues were not finally resolved until the end of May 2005. Interim payments consequently provided the main basis for paying compensation during the year with a total of thirty nine (three above target) being processed in that time.

No final determinations of coal claims in the Compensation Scheme were scheduled during 2004/05 as the few remaining claims were subject to either litigation or legal issues related to litigation. However, significant progress was made on both the Council Rates and Native Title programs with all council rates claims being determined. Muswellbrook Council has subsequently appealed its determinations. The target of 100 Native Title claim determinations was achieved. The Voluntary Acquisition program target of 22 applications was also met.

The year was one of major upheaval for the Board with the relocation and splitting of its workforce between Sydney and Maitland. The Government's desire to expedite the completion of the scheme by March 2007 required the Board to embark on a major recruitment drive in the latter part of 2004 to increase staffing levels from 32 to around 66 staff. At 30 June 2005 recruitment action was still underway in a very tight job market with technical staff in particular being very hard to attract. Training of these new staff has been a major undertaking and has consumed significant Board resources in the process. The creation of a new mega Department of Primary Industries at the beginning of the financial year to replace the Department of Mineral Resources further added to the complexity.

Management of the Government's exposure to budget risk associated with litigation has been a major focus of the Board's Executive. To this end the Government introduced the *Coal Acquisition Amendment (Fair*

Compensation) Act 2005 in May 2005. The Act was designed to give more certainty in the Government's exposure to compensation liability.

During 2004/05 the NSW coal industry experienced one of the most dramatic turnarounds ever. In March 2004 the average price at below \$A40/t was one of the lowest it had been in decades. For the June quarter it was the highest with an average price of over \$A70/t. The dramatic change, caused by among other things an escalating oil price, made the industry very profitable. The average profit was over \$A8/t. A record coal tonnage of 156mt, up 6% in the previous year, was produced. If it had not been for bottlenecks in the port of Newcastle more would have been produced.

Over 1,000 more people were employed in the industry by June 2005 reversing the long term trend of declining employment. Productivity decreased as a result of new operations. Once port constraints are removed and operations have settled in, productivity will improve.

The significant difference of over \$A30/t between coking coal and thermal coal, combined with port constraints, has encouraged many producers to lift the proportion of soft coking coal produced at the expense of thermal coal. The resulting reduction in saleable tonnes may, to some extent, limit the increase in compensation liability resulting from a bullish coal market. Similar buoyant conditions are expected next year.

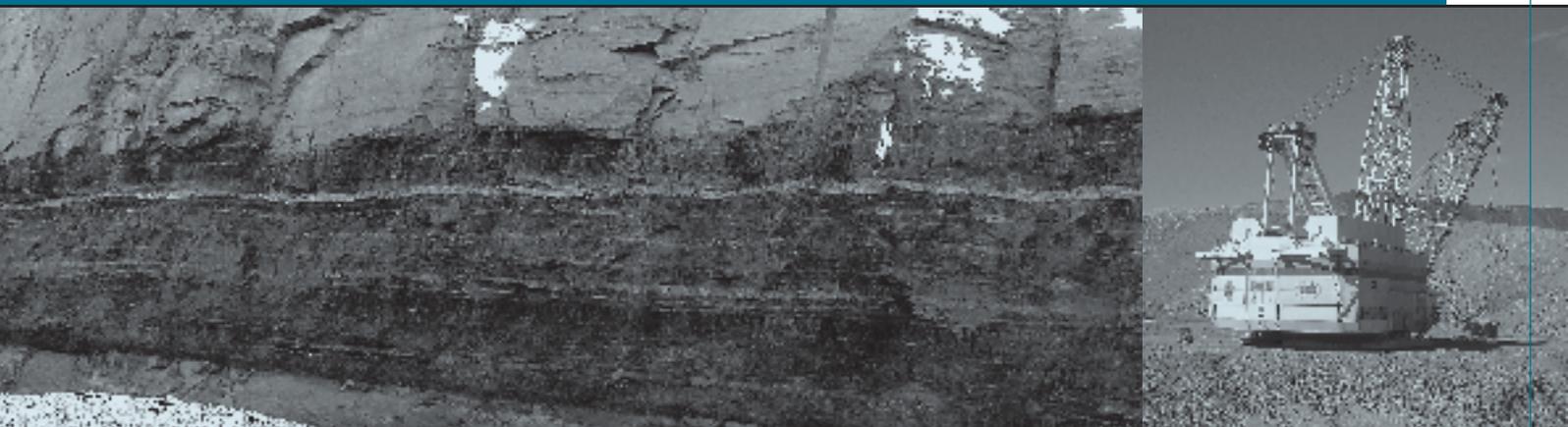
The past year has been a satisfying one for the Board. Despite the disruptions of relocation, restructuring, extensive recruitment and training in a very buoyant coal industry, the Board achieved its corporate and business goals. Public acceptance and confidence in its operations for all stakeholders was maintained. A similar outcome is the organisation's goal for the coming year.

A handwritten signature in black ink that reads "H. N. Bowman".

H N Bowman
Chief Executive Officer

HIGHLIGHTS

- The Board paid \$39.83 million in compensation during 2004/05.
- In November 2004 the Board relocated from St Leonards to the Sydney CBD and Maitland.
- A major recruitment program was undertaken to increase staff numbers to accelerate the completion of the Compensation Scheme by March 2007.
- The *Coal Acquisition Amendment (Fair Compensation) Act 2005* became law to provide fair compensation to all claimants by aligning the basis of compensation for all remaining claims with the basis used to assess compensation for all previous claims.
- The Act also eliminated the potential for windfall compensation arising out of the Government's introduction of the *ad valorem* coal royalty system from 1 July 2004.
- The Board finalised 100 native title claims, 22 voluntary acquisition claims and 10 models and met all targets. The target of 36 interim payments was exceeded with 39 interim payments being determined.



THE COAL COMPENSATION BOARD

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OUR CHARTER

The NSW Coal Compensation Board was established under the provisions of the *Coal Acquisition (Compensation) Arrangements 1985*. The *Arrangements* were made in accordance with Section 6(1) of the *Coal Acquisition Act 1981*. The Act vested all coal in New South Wales in the Crown.

Section 6(1) states:

“The Governor may by order make arrangements:

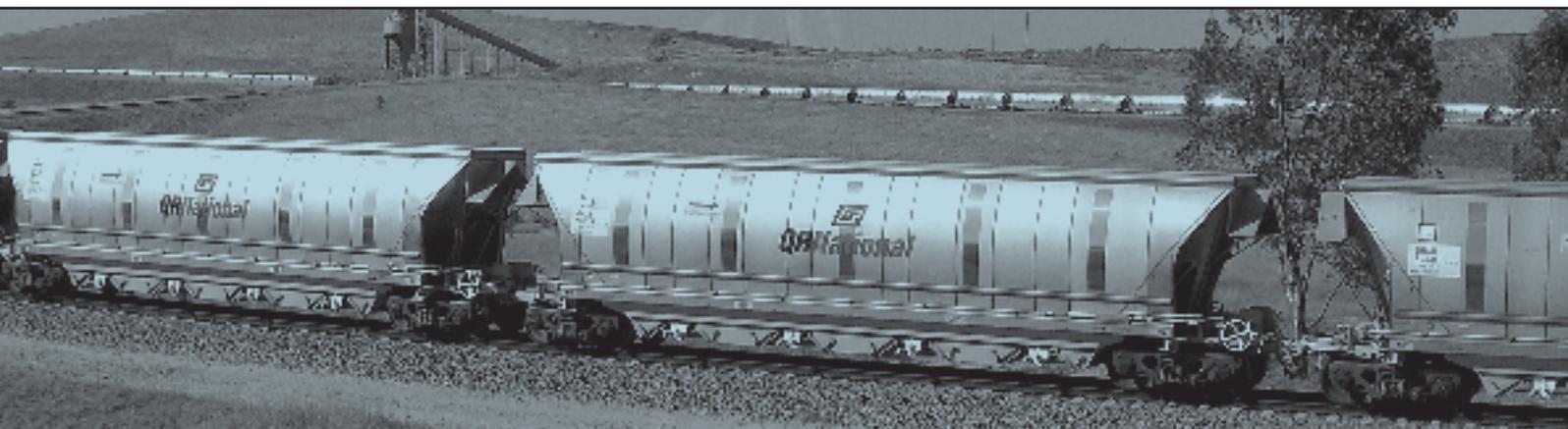
- (a) for the determination of the cases, if any, in which compensation is to be payable as a result of the operation of section 5 or 5A; and
- (b) if there are any such cases – for the determination of the amount and method of payment of any such compensation.”

OUR VISION

To bring positive outcomes to all concerned with coal rights through fairness, professionalism and integrity.

OUR MISSION STATEMENT

To secure public acceptance of compensation for coal rights to the benefit of all New South Wales, using the time based value of money.



SIGNIFICANT EVENTS IN THE LIFE OF THE COAL COMPENSATION BOARD

1981

Increasing coal development in the Hunter Valley provided a substantial windfall for private coal owners from royalty and front end payments made at grant of lease. The Government searched for contributions to the State budget but was frustrated by constitutional limits on increasing the State's share of taxes on coal. After examining various alternatives and royalty allocations the Wran Government introduced the *Coal Acquisition Act 1981* which transferred all private coal ownership to the State.

1985

Coal owners demanded compensation. The Coal Compensation Board and the Coal Compensation Review Tribunal were created in accordance with the Coal Compensation Taskforce Report. The *Coal Acquisition (Compensation) Arrangements 1985* was passed by Parliament to implement the recommendations of the Report.

1986

The Board was empowered to receive claims for coal compensation from former coal owners and others suffering loss as a result of the imposition of the *Coal Acquisition Act 1981*. Over 16,000 claims were received by the new Board before April 1986 when the scheme closed to new claims. The newly recruited staff undertook work on setting discount rates and developing new models to underpin calculation of compensation in accordance with the *Arrangements* and in a manner which commanded professional respect and acceptance by claimants. It was apparent that the Scheme could not be finalised in 2 years as estimated and interim payments were made to overcome hardship caused by delay.

1987

A Public Service Board Review recommended an extension of five years for the completion of the Compensation Scheme. The first coal models were approved by the Board which enabled the first final determinations of compensation to be made. The first appeals were heard by the Tribunal and the methodology of the Board was upheld.

1988

A Coalition Government came to power on 21 March 1988 and a new Chairman and Board Members were appointed. Final determinations were put on hold pending a review of policy by the new Government. A working party appointed by the Minister reviewed the Compensation Scheme and the operations of the Board. Interim payments proceeded and ineligible claims were refused.

1989

The Working Party Report to the Minister resulted in recommendations to Cabinet. They were included in the 1989 Budget to provide for an expansion of the Compensation Scheme.

1990

The *Coal Acquisition (Amendment) Act 1990*, the *Coal Ownership (Restitution) Act 1990* and the *Regulation* and amendments to the *Coal Acquisition (Compensation) Arrangements 1985* were passed through Parliament. Legislative changes increased the base rate for calculation of compensation from \$0.50/tonne to \$0.90/tonne to reflect a rate which approximated the after tax position of recipients of private royalty. Restitution of coal rights outside colliery holdings was offered as an alternative. Final payments of compensation recommenced.

SIGNIFICANT EVENTS IN THE LIFE OF THE COAL COMPENSATION BOARD (continued)

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1991/94

The Compensation Scheme was reopened in 1993 as a result of representations from local land owners primarily in the Upper Hunter. Mining had progressed up the valley into areas not originally considered to be coal bearing by the owners. The Governor assented to an amendment to the *Arrangements* on 9 December 1993 to receive claims up to 30 June 1994. During these four years the Board paid out a total of \$175 million. It organised its procedures for setting discount rates, ranking collieries, developing models, assessing claims and defending appeals. Directions of the Tribunal on appeals and to changes in the coal industry were met by changes to procedures.

1994

Over 12,000 claims were lodged under the reopened Compensation Scheme, most in the last few weeks leading up to 30 June 1994 when a short television news item resulted in an avalanche of claims. The Board fixed the sunset of the Compensation Scheme to 30 June 1998.

1995

A Labor Government came to power in March 1995. A new look Board and Tribunal were appointed. The operations of the Board were accelerated and staff increased. The new Board instituted new policies including business risk to accelerate the determination of claims and the payment of compensation. The Government advanced the sunset of the Compensation Scheme to 30 June 1997.

1996

Management reviewed operations to ensure that the Board's work would conclude by 30 June 1997. Additional staff were engaged and procedures modified to meet the challenge of completing all remaining claims by the prescribed date. As a result, staffing was increased to 70 with a record number of claims finalised by 30 June 1996. While the Board geared up to complete the Compensation Scheme, other issues were being considered which would extend the work of the Board.

The *Coal Ownership (Restitution) Act 1990* allowed for the re-vesting of coal title in former owners. Claimants for compensation for coal lying outside a colliery holding as at 1 January 1986 have the option of applying for restitution of their coal in lieu of compensation. Mounting evidence was gathered of restitution being encouraged by coal miners. Approximately 1,300 claimants applied for restitution. The Minister appointed a taskforce and called for a report to review the way restitution was working and to investigate options for change.

1997

Completion of most of the Compensation Scheme was achieved by 30 June 1997 as planned. The only Compensation Scheme work remaining was awaiting the outcome of litigation.

In 1997, as a result of the taskforce review of restitution, the *Coal Acquisition Act 1981* was amended to allow for the reacquisition of restored titles and for refusal of restitution applications on Crown revenue grounds. The legislation requires compensation for reacquired coal to be "just and equitable". The *Coal Acquisition (Reacquisition Arrangements) Order 1997* set out the methodology by which the Board was to evaluate these restored coal titles for possible reacquisition by the Crown.

The *Order* also allows for voluntary purchase by the State of coal rights. Persons who had their coal titles restored may now offer that title for sale to the government. The amount to be paid for the coal is determined at the discretion of the Board.

1998/99

On Crown revenue grounds forty-five (45) coal titles were reacquired by the State and 159 restitution applications were refused. Reacquisition Scheme claims were paid preliminary payments in accordance with the legislation while a significant number were also given interim payments.

1999/2000

By the end of the financial year the Compensation Scheme was over 95% complete and the Reacquisition Scheme was over 85% complete. Unresolved litigation continued to hold up some Compensation Scheme claims.

The Nardell Colliery Pty Ltd in Rixs Creek Colliery appealed in December 1999 against a determination of compensation under the Reacquisition Scheme on the basis of the lack of "just and equitable" compensation. This case became a test case on the meaning of "just and equitable" and resulted in 128 other Reacquisition Scheme determinations being appealed to the Tribunal on these grounds.

2000/01

The Board completed most of the work under the Compensation and Reacquisition Schemes. The Reacquisition Scheme could not be finalised until the courts had ruled on the meaning of "just and equitable" compensation. The delay resulted in a downsizing of the Board in June 2001 from approximately 50 to about 30 staff.

Restitution of coal titles not required by the State on Crown revenue grounds continued.

2001/02

All loss of estate claims under the Compensation Scheme were finalised except for a few held up by litigation. The Tribunal heard an appeal of The Nardell Colliery Pty Ltd as a test case on "just and equitable". The Tribunal's decision approved the Board's methodology but considered that it would be "just and equitable" to take into account the reduction of corporate tax and adjust the value of 'r' in the compensation formula from \$0.90 to \$1.04 per tonne of saleable coal. The Board accepted the Tribunal's decision. The Nardell Colliery Pty Ltd however, applied to the Supreme Court for judicial review of the Tribunal's decision. The three issues were non-compensation for super royalty, front end payments and the application of dividend imputation to compensation.

2002/03

The Board continued to progress Voluntary Acquisition purchases and Reacquisition Scheme claims until the Supreme Court delivered its decision in the Nardell test case on 29 May 2003. The Court found against the Board on the three issues under contention. The Board appealed the matter to the Court of Appeal.



SIGNIFICANT EVENTS IN THE LIFE OF THE COAL COMPENSATION BOARD (continued)

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2003/04

The Board continued to progress claims under the Compensation Scheme, not affected by the Nardell test case. Voluntary Applications for transfer of coal titles to the State were dealt with and interim payments were made on Reacquisition Scheme applications pending finalisation of the Nardell test case. The Court of Appeal issued its judgements in March 2004 and found that super royalty and front end payments should be taken into account when assessing compensation. The Court of Appeal did not decide the issue of the impact of dividend imputation on the discount rate but referred the matter back to the Tribunal. Negotiations between the parties resulted in a Consent Order to avoid the prospect of prolonged litigation to resolve the values assigned to "e" involving the impact of dividend imputation on discount rates. Other litigation in the Court of Appeal determined that compensation was payable for surface wayleave rights terminated as a result of coal acquisition and that consequential loss from reacquisition included capital gains tax payable on compensation.

2004/05

The *Coal Acquisition (Reacquisition Arrangements) Order 1997* was amended on 24 December 2004 to clarify the calculation of compensation in accordance with the Nardell test case. The *Coal Acquisition Act 1981* was amended on 29 May 2005 to remove any entitlement to compensation for windfall gains from the change of coal royalty as at 1 July 2004 from a fixed rate to an *ad valorem* rate, to take into account the abolition of super royalty after 1 July 2004 and to exclude contracts negotiated by the Government with colliery operators to provide cheap coal for public purposes, such as electricity generation. The Board can proceed to finalise claims and applications previously held in litigation.

The relocation of the Board's staff to Maitland and Sydney CBD and the need to finalise Board operations by March 2007 required major recruitment, new equipment and training of new staff. These factors are challenges to be managed to achieve the Board's corporate objectives for 2005/06.



ROLE OF THE BOARD

The Coal Compensation Board is a NSW Government organisation established in 1985 under the provisions of the *Coal Acquisition (Compensation) Arrangements 1985* to administer legislation providing for compensation to former owners of private coal.

It was created as an independent authority to ascertain cases where compensation is payable as a result of the operation of the *Coal Acquisition Act 1981* and to determine the amount of that compensation. The Act vested all coal in New South Wales in the Crown.

Subsequent legislation imposed additional responsibilities on the Board with regard to restitution of coal ownership, reacquisition of selected coal titles and the voluntary acquisition of coal titles at the request of owners.

Compensation claims were accepted by the Board between July 1985 and March 1986, and between December 1993 and July 1994. Some 28,261 claims were received.

Most of these claims were lodged for compensation for loss of estate in coal. Some claims were lodged for pecuniary losses suffered as a result of the discharge of a trust, lease, licence, obligation, estate, interest or contract. It is the Board's role to consider each of these claims and where compensation is deemed to be payable, assess the amount of compensation to be paid.

If a claimant is not satisfied with a determination of the Coal Compensation Board the matter can be considered by the New South Wales Coal Compensation Review Tribunal. The Annual Report of the Coal Compensation Review Tribunal appears at the end of this report.

Claimants for compensation for coal lying outside a colliery holding as at 1 January 1986 have the option of applying for restitution of their coal as an alternative to compensation. Approximately 1,300 claimants have applied for restitution. It is the Board's role to consider whether a claimant is eligible to apply for restitution and whether restitution should be recommended to the Minister.

Since 1997 the Board has been required to consider whether or not the Crown would lose significant revenue if a restitution application is granted. The Board has refused a total of 159 applications on the grounds of Crown revenue loss and recommended the reacquisition of 45 coal titles.

Net benefit to the State from the acquisition of private coal is estimated at \$10 billion after taking into account compensation payments totalling \$682 million.

APPOINTMENT OF BOARD MEMBERS

The Board is nominated by the Minister for Mineral Resources and appointed by the Governor in accordance with clause 4 of the *Coal Acquisition (Compensation) Arrangements 1985*.

COMPOSITION OF THE BOARD

Board members are appointed on a part-time basis and at 30 June 2005 included the following:

- Chairperson,
- Department of Primary Industries employee, and
- Three members who do not hold an office of profit under the Crown.

BOARD MEETINGS

Board meetings are generally held once a month. A total of 12 meetings were held during the year. The Board sat twice in October and did not sit in January. Attendance at Board meetings is outlined below:

BOARD MEMBERS	MEETINGS ATTENDED	ELIGIBLE
Alastair Fotheringham	11	12
Maree Callaghan	12	12
Alan Coutts	9	12
Robert Martin	12	12
Sue Myers	12	12

ROLE OF THE BOARD (continued)

PROFILE OF BOARD MEMBERS

Chairperson:

Mr Alastair Fotheringham BSc, AAIB

Appointed 1 November 1999

Reappointed 29 October 2003

Mr Alastair Fotheringham retired in 1999 as General Manager, NSW & ACT, of the ANZ Banking Group. Mr Fotheringham is a graduate economist who commenced his career as an agricultural adviser in Scotland. Subsequently, his career was orientated towards business finance and the managing and development of business through periods of considerable change.

Apart from many senior positions within the Bank, Mr Fotheringham was a Director of Dalgety Rural Finance and Chief Executive of the Tasmanian Chamber of Commerce and Industry.

Throughout his career he has been involved in helping develop strategy for growth. Currently, Mr Fotheringham is a director of a mortgage origination company.

Representative of the Department of Primary Industries:

Mr Alan Coutts BComm, Dip Ed

Appointed 17 May 2002

Reappointed 30 June 2004

Mr Coutts is the current Deputy Director General, Minerals, of the Department of Primary Industries. He is also Chairman of the Mine Subsidence Board, a statutory body established to provide compensation to owners of property damaged by mine subsidence.

Prior to his appointment as Deputy Director General, Minerals Mr Coutts was Director General of the Department of Mineral Resources. He is a former Director-General of the Department of Transport and has also held positions on the Board of the State Rail Authority and the State Transit Authority of NSW.

Board Member:

Mrs Maree Callaghan FAICD, CMC

Appointed 1 November 1995

Reappointed 29 October 2003

Mrs Callaghan is a former director of Insurance Australia Group, of NRMA Insurance Limited (1992–2003) and NRMA Motoring and Services (1991–2002). Mayor of Cessnock from 1987–1995, Mrs Callaghan has been a member of numerous Hunter boards, with specific experience in evaluating needs and determining eligibility for appeals, grants, applications for government assistance, housing and compensation.

Mrs Callaghan has employment expertise in the health, disability and community sectors and has published works on mining and heritage issues, business, mortality and women. She is vice-president of the Northern District Miners' Women's Auxiliary and is an honorary member of the Miners Federation of Australia.

Board Member:

Mr Robert Martin Dip Ag

Appointed 25 February 2004

Mr Martin was the Minister for Mineral Resources and Minister for Fisheries from 1995–1999, Shadow Minister for Agriculture, Rural Affairs, Land and Forests (including Soil Conservation and Fisheries) from 1991–1995 and Member for Port Stephens from 1988–1999.

He was educated at Hurlstone Agricultural High School and Hawkesbury Agricultural College. Former employment has been in the field of horticultural advisory work and fisheries research. He has been an active member of the Hunter community for 35 years.

Mr Martin has also had extensive involvement in community organisations such as the Police Citizens Youth Movement, Nelson Bay Apex Club and the Royal Newcastle Hospital Board.

Board Member:**Ms Sue Myers** BA, LLB

Appointed 7 February 2001

Reappointed 26 May 2004

Ms Myers is a lawyer with extensive senior management experience. She was first admitted as a solicitor in 1978. Ms Myers was on the Board of the Australian Red Cross Blood Service and Chairman of its Finance and Audit Committee from 1996 to 2001. She has held the position of company secretary and general counsel in a number of listed entities, and she is currently Special Counsel to Ridley Corporation Limited.

Ms Myers brings legal and corporate governance experience to the Board, including experience in commercial litigation, and an understanding of the operation of boards.

CORPORATE GOVERNANCE

The Board follows a code of conduct, which requires ethical behaviour of a high standard and business is conducted with efficiency, impartiality, fairness and integrity. All aspects of corporate governance are under constant review. During the year the Internal Audit Bureau project managed the implementation and relocation of the Board's IT system to a split site and integration with the DPI network. It also reviewed systems employed in calculating coal compensation liability.

While all IT and communication systems were operational at 30 June 2005, several issues relating to data speed and data backup issues were outstanding.

The compensation liability review identified policy strengthening in the assessment and reporting of compensation liabilities to meet Australian accounting standards. Revised policies relating to calculation and documentation have since been adopted.



Pictured at back from left to right: Bob Martin, Alan Coutts, Harry Bowman, Sue Myers, (front) Maree Callaghan, Alastair Fotheringham.

ROLE OF THE BOARD (continued)

THE WORK OF THE BOARD

The Board meets on a monthly basis. The regular business of the Board includes consideration of issues in the following areas:

- Chairperson's Report
- Chief Executive Officer's Report
- Coal Compensation Status Report
- Developments in the Coal Industry
- Matters Requiring Decision
 - Board Determinations
 - Acceptance of Coal Area Models
 - Consideration of Restitution Applications on Crown revenue grounds
 - Interim Payments
 - Final Determinations of Claims and Compensation Applications
 - Voluntary Acquisitions
 - Recommendations to the Minister
- Reports for Information.

The Minister receives monthly reports on the performance of the Board.

POLICY DETERMINATIONS 2004/05

The Board's Policy Register is updated on a monthly basis following each Board meeting and is tabled at the Board meeting every six months.

Policy Determinations included:

- Revised Risk Management Policy;
- Interim Policy on Calculation of 'r' based on the New Royalty Regime – from 2/7/04 Onwards;
- Base Discount Rate Procedure Changes;
- Policy for Export Coking & Export Thermal Coal – Calculation of 'r';

- Policy for Allowable Deductions in the Calculation of 'r' for Compensation Applications for Production after July 2004;
- Review of the 1% Additional Longwall Discount Rate Policy;
- Policy for Exercise of the Board's "Just and Equitable" Discretion in Consequential Loss Applications;
- Equal Employment Opportunity (EEO) and Anti-Discrimination Policy;
- Discount Rate – Review of the adjustment for the Marketability of Coal Policy;
- Policy for Calculation of 'r' based on New Royalty Regime from 1 July 2004 onwards.
- Revised Interim Payments Policy.

BOARD MEMBERS' CODE OF CONDUCT

This Code of Conduct sets out standards of ethical behaviour for the Chairperson and Members of the Coal Compensation Board. It is designed to ensure that the Board's activities are conducted with efficiency, impartiality, fairness and integrity.

The Board Members' Code of Conduct provides:

- Each member of the Board has a duty to ensure that the management of the Board is competent, ethical, and acts in the best interests of the Board.
- Each member of the Board, shall at all times, act honestly and in good faith in the exercise of their powers and the discharge of their duties.
- Each member of the Board has a duty to use care, skill and due diligence in fulfilling the functions of the Board.

- Board Members shall not take improper advantage of their position nor use inside information to gain an advantage, either directly or indirectly, for themselves or any other person.
- Board Members shall not allow personal, family business or other interests to conflict with the interests of the Board and the functions of the Board. Board Members are responsible for identifying and recording disclosure of any actual or perceived conflict of interest, pecuniary interest, a non-pecuniary interest or a related party transaction affecting themselves or any other Board Member.
- Any direct or indirect pecuniary interest of any Board Members shall be recorded in the Register of Pecuniary Interest maintained by the Board pursuant to Schedule 1 Clause 7 of the *Coal Acquisition (Compensation) Arrangements 1985*. If any such interest is disclosed Clause 7(4) takes effect.
- Where an actual or perceived conflict of interest, a non-pecuniary interest or a related party transaction is disclosed or identified, the Board shall resolve whether it is appropriate for the relevant Board Member to be excluded from voting, to be excluded from discussion, or not to receive Board papers relating to the issue.
- Confidential information received by Board Members in the course of the exercise of their duties remains the property of the company or person from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by that company, or the person from whom the information is provided, or is required by law.
- Board Members should not engage in conduct likely to bring discredit upon the Board.
- Board Members have an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this code.



ORGANISATIONAL STRUCTURE

The Executive comprises the Chief Executive Officer, Solicitor to the Board and Manager Operations and Compensation, and is responsible for the corporate direction and planning for the organisation.

EXECUTIVE

Chief Executive Officer

Harry Bowman BSc, MSc, Grad Dip Mineral Technology, FAus IMM.

Mr Bowman is a graduate geologist with formal training in mineral economics, mining engineering and mineral processing. He has been with the New South Wales Government since 1963, when he joined as a trainee geologist. After graduation, he worked as a geologist in various areas of the Department of Mineral Resources, with particular emphasis on coal. As the technical member of the Coal Acquisition Act Taskforce established by the then Premier, Neville Wran, he designed the Coal Compensation Scheme in 1982. In 1984 he was a Policy Advisor to the Minister for Mineral Resources. He became Chief Executive Officer of the Coal Compensation Board in 1985.

In 2003 he was given additional responsibilities for the coal and petroleum geologists in the former Department of Mineral Resources and now the Department of Primary Industries. He divides his time between the Maitland and Sydney offices.

Solicitor to the Board

Michael Burke LLB.

Mr Burke is a lawyer who joined the Board in 1988 after thirty years experience as a partner in private legal practice. This broad experience has given him the background required to provide legal advice to the Board, represent the Board in litigation, defend the Board's determinations before the Coal Compensation Review Tribunal and provide the legal resources required by the Board's staff in its work.

Manager Operations and Compensation

Peter Sayers BSc (Hons), MAus IMM.

Mr Sayers is a graduate geologist with over twenty five years experience in the coal mining and exploration industry and in public sector management. Prior to joining the Board as an assessor in 1987 he worked for the Joint Coal Board, Arco Australia Ltd and CRA Ltd in geological and senior geological roles involved in coal exploration, mining feasibility studies and coal project evaluation. His work with the Board has included the roles of Manager Assessment and Manager Modelling. In his current role as Manager Operations and Compensation he is responsible for managing the Board's operations to ensure organisation wide performance outcomes meet corporate and business objectives. He also provides quality assurance for all technical documentation produced for Board decisions.

MANAGEMENT DISCUSSION AND ANALYSIS



MODELLING

The modelling program is designed to define geological resources, develop mine plans and production schedules for collieries and coal areas. Geological and mining models are produced by computerised modelling techniques and form the basis for later assessment and determination of individual claims.

Two modelling staff members relocated from Sydney to Maitland in November 2004. The Board's modelling team now operates, in the main, from the Maitland office. There was some loss of expertise and corporate knowledge following the decision to move some of the Board's staff to Maitland. The Manager Modelling was appointed in January 2005. The manager leads and coordinates the output of the team and provides expert advice to the Chief Executive Officer and the Board on mining industry issues to ensure achievement of the Board's corporate and business objectives.

Business Objective 1

Provide 10 models to the CCB by 30 June 2005 suitable for use in the determination of the value of claims for compensation.

The modelling target was achieved through the commitment of all staff, most of whom were newly recruited.

Business Objective 2

Provide expert witnesses to defend the Board in Tribunal Hearings.

The team provides the technical expertise for defence of the Board's models in the Coal Compensation Review Tribunal.

Business Objective 3

To develop personal technical industry skills for each team member throughout 2004/05.

Extensive training in the Board's 3-D modelling software has been carried out since new staff member intakes began in January 2005.

Business Objective 4

Maintain a highly regarded professional team

The team consists of geologists and mining engineers and works closely with the Board's mineral economists to provide robust models of mining areas to the Board. These models are used for the assessment and final determinations of claims.

The team maintains regular contact with mining companies in order to gather/update information to assist in the production of coal area models and for economic analysis of mining proposals.

MANAGEMENT DISCUSSION AND ANALYSIS

ASSESSMENT

The Assessment program compensates claimants and applicants for the loss of coal and associated rights. The team also ensures the compensation budget allocated to the Board by Treasury is paid in full.

Business Objective 1

Pay out the 2004/05 budget as agreed with Treasury

Payments made during the year totalled \$39.83M out of a budget of \$40M.

Business Objective 2

Complete work program to meet Corporate Objectives

At 1 July 2004 there were 52 council rates claims, 360 native title claims, 5 pecuniary loss claims and 19 loss in estate claims under the Compensation Scheme available for processing. There were 128 loss in estate applications, 75 consequential loss applications and 128 pecuniary loss 'front end payment' applications under the Reacquisition Scheme. Reacquisition Scheme applications were suspended from processing to finalisation pending the results of litigation, and limited to interim payments only.

Compensation Scheme: The outstanding 52 council rates claims were assessed and 50 claims were determined totalling \$1,158,480. The other two claims were appealed and currently 26 council claims are subject to litigation. The group assessed 125 native title claims allowing 100 claims to be finalised. One loss in estate claim was assessed and determined totalling \$2,747,700. Another 4 claims were withdrawn from litigation allowing the payment of \$1,254,882 from the compensation scheme budget. The Board paid interim payments for 4 pecuniary loss claims totalling \$1,150,000.

Litigation, ownership and boundary disputes or pending project negotiation between colliery operators resulted in the 5 pecuniary loss and remaining 14 loss in estate claims being stalled.

Reacquisition scheme: The Board made interim payments for 36 loss in estate applications totalling \$33,305,000. Another 3 applications were withdrawn from litigation allowing the payment of \$192,202 from the compensation scheme budget. In addition, 22 voluntary acquisition applications were evaluated, of which 7 titles were acquired by the State via Board approval. The procedure for assessment of consequential loss and 'front end payment' applications was implemented.

All targets were met or exceeded including interim payments (40/36), voluntary acquisition (22/22) and native title (100/100). The work program allowed the payment of \$39.83 million from the proposed \$40.0 million compensation budget.

At the end of June 2005, 448 compensation scheme claims remained to be assessed. These consist of 5 pecuniary loss, 14 loss in estate, 403 native title and 26 council rates claims in litigation. One hundred twenty five loss in estate applications, 128 'front end payment' applications and 75 consequential loss applications remain to be processed.

The voluntary acquisition program is ongoing, and the Board continues to receive applications for acquisition of coal title.

Business Objective 3

Maintain public acceptance of the work of the Board

The Board continues to keep claimants informed of the progress of their claims. Information is conveyed by letter, reports, telephone and on the Board's website.



Assessment

Business Objective 4

Enable Assessment to achieve a more effective and efficient delivery of output.

During the year revisions were made to procedures. This involved changes to Assessment Reports and Board papers. The Cost of Scheme report, and procedures were revised.

MINERAL ECONOMICS

Business Objective 1

Keep the Board aware of economic issues in the industry.

The Mineral Economics team informs the Board, the Chief Executive Officer and staff of issues within the industry affecting the Board's operations and provides critical data to enable the Board and its staff to make informed decisions.

The Mineral Economics team presents the *Developments in the Coal Industry* paper to the Board each month. This paper summarises relevant facts to keep the Members and Board staff informed of emerging issues and current trends.

The team produces a Supply/Demand Model of the NSW Coal Industry and a Risk Ranking Model.

The team reviews the premium above the long term bond rate each month as well as other quarterly economic reports.

From July 2004 the structure of the team separated mining engineering and geology from mineral economics. As much of the mineral economics work was always separate from modelling it was logical for the two teams to split. However, a ramping up of the CCB's workload in 2004/05 led to an increase in the number of mineral economists. The main focus of the team was to ensure the basic economic framework was in place by July 2005 so models could be produced to a standard to allow final assessments and determinations on reacquisition scheme claims to proceed. The framework included a complete revision of the NSW coal industry supply/demand model, revision of the mine cost estimation. Mineral economists currently have the responsibility for the project management of coal mine models to be submitted to the Board.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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Average coal prices in 2004/05 increased to a record high of \$63 up from a dismal \$44 average in 2003/04. The record Japanese Financial Year (JFY) 2005 contract prices that kicked in from April 2005 will ensure that 2005/06 will eclipse 2004/05 prices. Saleable coal production for 2004/05 was 4.2% up on 2003/04 at a record 119 million tonnes. Production for 2005/06 should eclipse 2004/05 as NSW producers take full advantage of the higher prices.

PLANNING

The planning function is the definition, planning, scheduling, coordination and monitoring of the workload of the key work programs within the Coal Compensation Board, providing specialist technical support to ensure the Board's mission and corporate objectives are achieved to the satisfaction of all stakeholders.

The Manager, Operations and Compensation, is responsible for performance monitoring and reporting to the executive as an integral part of the planning function.

In addition, planning is responsible for the maintenance of an up-to-date cost of the Scheme, with best information/estimates available. Also, planning oversees the integration of the Geographical Information System (GIS) function to ensure reliability and integrity of data used in the modelling and assessment areas.

The key areas of responsibility are:

- Corporate planning, including defining remaining workload, scheduling of the Board's operational programs, preparation of the corporate plan and performance monitoring and reporting.
- Liaison with different CCB work teams to ensure business objectives are met.

- Provision of support services on technical matters, including advice on matters relating to the compensation scheme to ensure informed decision making.
- Assistance in allocating resources to the Modelling and Assessment teams to meet business targets.

LEGAL

The legal team manages the Board's litigation, provision of legal advice, legal representation and research on legal issues. In addition, the team provides legal interpretation of documents, agreements, contracts and instruments relating to claims and applications, as well as legal interpretation of legislation.

In managing litigation the team provides legal defence of the Board's determinations in cases brought before the Coal Compensation Review Tribunal and higher courts.

Business Objective 1

Provide legal advice to Board and Board staff as required.

Legal advice was provided to the Board and to the Board's staff on a needs basis.

Business Objective 2

Assist with delivery of Board's Business Objectives.

Advice on the assessment of claims assisted in achieving the Board's business objectives.

Business Objective 3

**Defend determinations of the Board.
Represent the Board in litigation.**

The team defended determinations by the Board in appeals to the Tribunal by appellants. Where the appeals involved complex issues of fact and law and substantial dollar amounts, the team briefed Counsel.



Legal Team

Business Objective 4

Manage Government exposure to budget risk for expenses associated with litigation.

The team monitors a budget for anticipated litigation expenses including Counsel's fees and fees for consultants used as expert witnesses and manages the expenses in accordance with budget.

Business Objective 5

Ensure corporate compliance with legislation and government policies.

The team implements a program to review relevant policies and recommends amendments as required. The team also prepares papers to the Board with recommendations regarding relevant issues of corporate governance and corporate compliance.

Business Objective 6

Assist Assessment Team to progress claims for pecuniary loss, council rates loss, native title and consequential loss.

The team liaises with Assessment to ensure progress with claims for pecuniary loss, council rates loss, native title and consequential loss.

Business Objective 7

Progress voluntary acquisition applications.

The team provides assistance to Assessment when required to progress voluntary acquisition applications.

CHANGES TO LEGISLATION

There were two legislative changes:

1. The *Coal Acquisition Amendment (Fair Compensation) Act 2005* enacted on 29 May 2005 inserted a new section 6A in the *Coal Acquisition Act 1981* to ensure that coal compensation:

- will not be paid with reference to the new *ad valorem* royalty regime in force from 1 July 2004 but will continue to be paid at a royalty reference rate of \$1.70 per tonne. After deductions for the Department's processing fee and for taxation (at the present corporate rate of 30%), compensation is actually paid at the rate of \$1.04 per tonne for applications brought under the *Coal Acquisition (Reacquisition Arrangements) Order 1997*.

- includes super royalty, where applicable, up to 1 July 2004 when super royalty was abolished, for applications brought under the *Coal Acquisition (Reacquisition Arrangements) Order 1997*.

- will not be paid for applications relating to the granting of mining leases based on favourable coal prices for public purposes. This will bar applications which claim compensation on the basis that the discounted coal price paid to Mount Arthur Coal Colliery by Macquarie Generation is analogous to a front end payment.

2. The *Coal Acquisition (Reacquisition Arrangements) Order 2004* was enacted on 24 December 2004 to provide that the following definitions in Schedule 1 to the *Coal Acquisition (Reacquisition Arrangements) Order 1997* were amended:

" 'r' is an amount in respect of a particular relevant period and a particular type of coal that the Board considers 'just and equitable' in the circumstances of the case"

" 'e' now specifies in detail the Board's procedure used in calculating the discount rates for determining compensation."

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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SIGNIFICANT LITIGATION

On 22 March 2005 the New South Wales Coal Compensation Review Tribunal allowed the appeal of the *Estate of J J Franks* and determined that compensation for a claim under clause 9(2) of the *Coal Acquisition (Compensation) Arrangements 1985* should be "just and equitable". The Board has commenced proceedings in the Supreme Court for judicial review of the Tribunal's decision.

CORPORATE SUPPORT AND INFORMATION SERVICES

Business Objective 1

Provide efficient and effective core business services to the Board.

The team produced agenda papers and despatched claimant correspondence within time limits for the reporting year.

Restitution of coal title is an option available to eligible claimants under the Compensation Scheme where the claim area was not in a registered colliery holding as at 1 January 1986.

Applications for restitution may be refused by the Minister where granting of a title would result in a significant loss of revenue to the State. If an application is refused for this reason, the applicant may apply for compensation under the Reacquisition Scheme.

Applications for restitution may be refused where one part-owner has received payment and another part-owner has requested restitution of coal title.

Business Objective 2

Provide Information Systems services to the Board staff to facilitate the Board's core business functions.

Migration of the Board's core business databases progressed during the year. The Board's various information systems were relocated to Maitland and were maintained with a minimum of disruption. The relocation to two separate sites was a major project for the team.

Another major effort was the filling of vacant positions at both offices. A workshop was held to identify and solve work flow issues. Some alteration to the staff establishment within the team was necessary.

Business Objective 3

Provide IT services to the Board to facilitate the Board's core business function and corporate support services.

A large portion of the Board's IT services are now handled by the Department of Primary Industries. During the reporting year the Board's IT staff continued to provide service to the Board and also liaised with DPI in Orange and Maitland.





Workforce

Business Objective 4

Provide effective administrative support to assist the Board in achieving its Corporate Objectives.

The team regularly liaises with the other teams to ensure the required level of service is maintained.

FINANCE

Business Objective 1

Coordinate and provide computerised accounting services under the directions and guidelines set by the NSW Government.

The current system was maintained for the reporting year. Treasury deadlines were met.

Business Objective 2

Provide effective financial management of the CCB.

The Board's internal controls were examined by the Internal Audit Bureau (IAB) and the Audit Office during the year.

Regular reports are made to Treasury, the Board and the Minister.

Business Objective 3

Assist the Board to make sound financial decisions.

Prepared monthly financial reports on expenditure and a monthly status report on funds for compensation paid and forecast to the Board.

RISK MANAGEMENT AND INSURANCE

The Board is required under Sec 11 of the *Public Finance and Audit Act 1983* to adopt an effective system of internal control over financial and related activities.

During the 2004/05 year, the Internal Audit Bureau (IAB) were contracted provide the following services:-

- to review the implementation and re-location of IT services to Maitland prior to the Board moving from Christie Street, St Leonards in November 2004, and
- to review the Board's system of calculating liability on a periodic basis in order to satisfy the requirements of Australian Accounting Standard AASB1044

Relocation of IT Services:

A number of issues were identified in relation to installation of the Board's IT network in Sydney and Maitland. However, compatibility with the Department of Primary Industries (DPI) network was identified as a major problem requiring on going management negotiation in terms of staffing and equipment.

Calculation of Liability:

The Board's system of calculating liability to pay compensation was highlighted as an area which should be reviewed in the light of larger than normal fluctuations in liability in 2003/2004.

Two stages were identified as significant in meeting the requirements of AASB1044:

1. The systems employed in determining liability and the quality of management decision making were critical and this was covered in stage one of the assignment.
2. Stage two required a selection of samples and testing of those samples to establish that the method of calculating individual liability was adequate to inspire confidence in the quality of outcomes at period end.

The IAB provided a formal report on the first stage of the analysis and a copy of the report and subsequent action plan was provided to the Audit Office of NSW.

The second stage of the project was incomplete at the close of financial year in June 2005. However, the preliminary results indicated full compliance with the requirements of the relevant Australian Accounting standard.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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The Board has comprehensive coverage for workers' compensation, motor vehicle, property and public liability insurance, provided through the NSW Treasury Managed Fund. This fund is a government sponsored self insurance scheme which is currently managed by GIO.

INTERNAL COMMITTEES

The following committees have had a significant impact on the operation of the Board. They provide advice to the CEO and the Executive who are able to focus more on setting the strategic direction in the completion of the current schemes:

CASH FLOW

Ensures cash flow is coordinated to meet budgetary and Treasury requirements.

Chairperson: Peter Sayers (Manager Compensation and Operations)

Members: Zenaida Brillante (Assistant Accountant)
Joe Nelson (Senior Assessor).

IT GOVERNANCE

Oversees strategic IT plans to ensure assets are appropriately secured and controlled and that Information Management and Technology services are delivered efficiently and effectively and are consistent with the corporate plan.

Chairperson: Derek Pang (Geologist Assessor)

Members: Ian Burgess (Information Technology Administrator)
Tish McMullen (Assistant Solicitor)
Paul Harrison (Geologist Modelling)
Michael Russell (Corporate Support and Information Leader).

RISK MANAGEMENT/BUSINESS CONTINUITY

Ensures the identification of risks, analysis of impact, contingency planning and the development of a strategy to continue business in the event of any major threat.

Chairperson: Tish McMullen (Assistant Solicitor)

Members: Michael Russell (Corporate Support and Information Leader)

Bryan Whitlock (Senior Minerals Economist)

Robert Larkings (Manager Modelling)
Executive Officer

Dennis Morrell (Accountant).

FRAUD CONTROL

Oversees the Board's corruption prevention policy and procedures.

Chairperson: Tish McMullen (Assistant Solicitor)

Members: Michael Russell (Corporate Support and Information Leader)

Paul Degeling (Senior Geologist)

Dennis Morrell (Accountant).

OCCUPATIONAL HEALTH AND SAFETY

Oversees strategies for maintaining a safe working environment

Chairperson: Robert Larkings (Manager Modelling)

Members: Janelle Martin (Administration Supervisor)
Executive Officer (employer's representative).

STATUTORY REPORTING

CONTROLLED ENTITIES

The Board has no controlled entities.

LAND DISPOSAL

The Board did not dispose of any land holdings.

OVERSEAS VISITS

No officers or employees of the Board made overseas visits during 2004/05.

GRANTS AND SUBSIDIES

The Board did not grant funds to any non-government community organisation during 2004/05.

ENERGY MANAGEMENT PLAN

An Energy Management Plan has been developed as a mechanism to meet the requirements of the Government Energy Management Policy to achieve the twin goals of better financial performance and improved environmental outcomes. The initial goals of the plan were to achieve a reduction in office energy consumption by 2001 of 15% and by 2002 of 20% of the 1995/96 levels. The Board has reviewed its energy management plan to identify additional areas of potential savings. The ongoing target set under the Premier's Government Energy Management Policy is to reduce energy consumption by 25% by 2005/06.

The Board is undertaking this commitment to reduce energy consumption through improved management and cost-effective investments. All equipment such as fax machines, photocopiers and printers have energy savers enabled to reduce energy consumption while the equipment is not in use.

The Board was co-located with the Department of Mineral Resources at St Leonards and was not charged separately for electricity usage. It is therefore not possible to obtain usage statistics.

The Board operates a fleet of 6 vehicles.

WASTE REDUCTION AND PURCHASING

The Board is committed to the Government's Waste Reduction and Purchasing Policy through its Waste Management Plan, established in 1998 and reviewed in 2000. The Plan outlines the Board's policy and procedures for reducing the generation of waste, resource recovery and the use of recycled material.

To reduce waste generation, the Board encourages the use of email for distribution of internal documents such as minutes of meetings and staff weekly reports. Agendas for the monthly Board meeting are printed double sided, reducing monthly paper usage by around 16 reams. Increased usage of printers that automatically print computer documents double sided has reduced paper waste.

As a resource recovery initiative, all Board staff have access to paper recycling bins to encourage individual responsibility for reducing paper waste. 100% of computers and computer monitors and 100% of packaging are currently recycled.

The Board purchases A4 paper through Government Stores. Recycled products, such as Greenwrap (Xerox) product, which consists of 50% recycled content, are purchased where available and appropriate. These strategies will be reviewed in the coming year. Current and future contracts will be reviewed to encourage potential opportunities to purchase more recycled content products. Where tenders are put out for projects, preference will be given to bids that comply with the policy's waste reduction principles.

STATUTORY REPORTING (continued)

BOARD STAFF

HUMAN RESOURCES

Under the *Arrangements* the Board has a number of alternatives for staffing the organisation, and for carrying out its work. The chosen method is to require another State Government agency to employ staff and for these staff to be seconded to the Board. The chosen agency was the Department of Mineral Resources from July to October 2004. Following that time the Department of Primary Industries has provided staff for secondment to the Board.

A *Service Level Agreement* was signed between the Coal Compensation Board and the Department of Primary Industries. This provides for human resources services to be carried out on behalf of the Board.

During 2004/05 there were a total of 15 staff separations.

CEO

The Board's Chief Executive Officer, Mr Harry Bowman is the only SES officer at Level 2. This is unchanged from previous years. No females in the Board are part of the Senior Executive Service.

PERFORMANCE MANAGEMENT

The Board has measures in place to monitor performance. Management reports to the Board on a monthly basis on the progress of each team's performance in line with their business plan. These plans are reviewed every six months in accordance with the Board's corporate planning process to ensure that corporate objectives are supported at a team level.

The Board continues to support its staff by maintaining a performance management system that ensures all staff have individual plans aligned to personal, team and corporate objectives. These plans are developed on an annual basis and reviewed every six months. This process identifies training and development needs for staff.

INDUSTRIAL RELATIONS

Issues relating to the relocation from St Leonards to the Sydney CBD and Maitland were resolved in a satisfactory manner.

OCCUPATIONAL HEALTH AND SAFETY (OH&S)

Commitment to occupational health and safety standards by the Board's executive and staff has enabled the Board to function in a healthy and safe work environment.

The CCB OH&S Committee meets monthly to discuss issues of concern and suggestions from employees.

As in previous years, the committee submits a report for notation by the Board each month. This reporting procedure ensures that all levels of the organisation play a role in OH&S. Any immediate concerns are addressed individually, and email is used to convey information to all staff as required.

The committee conducts a safety audit of the office, at least every twelve months and as circumstances require, in order to monitor potential hazards and to identify and eliminate new hazards.

WORKERS COMPENSATION CLAIMS AND COSTS

Year	2004/2005
Total number of claims	Nil
Number of claims settled	Nil
Net incurred cost	Nil

STAFF DEVELOPMENT AND TRAINING

The Board is committed to maintaining a highly regarded and professional team.

Individual training requirements are identified through the Board's Performance Management System. These are addressed by consultation between the staff member and their supervisor, subject to the approval

of the Chief Executive Officer. Staff development is also addressed through the provision of experience such as job rotation and field work.

Training is provided by both in-house and external courses.

STUDY TIME

The Board provided assistance to two staff members including study leave and/or payment of fees when studying University and TAFE courses.

STAFF CATEGORY

Ratio of permanent to temporary staff

1999/2000	=	0.25:1
2000/01	=	0.38:1
2001/02	=	0.63:1
2002/03	=	0.45:1
2003/04	=	0.42:1
2004/05	=	0.30:1

Ratio of female to male staff

1999 /2000	=	0.35:1
2000/01	=	0.57:1
2001/02	=	0.63:1
2002/03	=	0.60:1
2003/04	=	0.62:1
2004/05	=	0.44:1

Variation in the number of effective full time staff members (as at 30 June) for the last five years is as follows:

2000/01	=	46.4
2001/02	=	28.9
2002/03	=	30.2
2003/04	=	32.6
2004/05	=	46.8

RECREATION LEAVE

The value of untaken recreation leave was \$226,205 at 30 June 2005, an increase of \$86,461 on the accumulated value as at the close of the previous year. This amount has been incorporated in the Board's financial statements as a provision.

LONG SERVICE LEAVE

The long service leave expense included in the Board's account as at 30 June 2005 is \$1 18,536. Long service leave amounting to \$135,758 was taken during the reporting year, bringing the total value of untaken long service leave which has been assumed by the Crown to \$728,658.



STATUTORY REPORTING (continued)

EQUAL EMPLOYMENT OPPORTUNITY (EEO)

SUMMARY OF OUTCOMES 2004–2005 AND MANAGEMENT PLAN 2005

In the past year the Board’s human services focus has been on aspects of the relocation of the Board’s operations to a Sydney CBD location and a Maitland co-location with the Department of Primary Industries.

Given the uncertainties for current staff in the face of relocation, redundancy or other displacements, the Board has focused on providing policy development, risk management, retraining, and counselling practices which best suit that environment and which embody EEO principles.

EEO Achievements were made in the last twelve months in the following areas:

- comprehensive consultation process with full representation of all appropriate EEO target groups in the various committees associated with the relocation process;

- introduction of career and retraining development programs through the Department, available to all CCB staff;
- incorporation of appropriate EEO objectives into all recruitment exercises; and
- commencement of a policy review process for all relevant policies, with EEO aspects and best practice guidelines incorporated into all policies reviewed.

For the Board’s Management Plan 2005, the Board will continue to outsource human resource functions to the Department of Primary Industries, as appropriate. Specifications of service level requirements will include appropriate EEO targets and objectives. All recruitment processes will ensure that appropriate EEO requirements are incorporated. As the Board may be recruiting large numbers of staff to complete its operations within targeted timeframes, EEO requirements will be a major focus for the Board.

Trends in the Representation of EEO Groups –Table A					
	Benchmark or Target %	2002 %	2003 %	2004 %	2005 %
Women	50	38	43	37	20
Aboriginal people and Torres Strait Islanders	2	–	–	–	–
People whose first language was not English	20	6	5	2	15
People with a disability	12	6	9	5	5
People with a disability requiring work-related adjustment	7	–	–	–	–

*Due to non-applicability on all items, and on advice of ODEOPE, Table B, Trends in the Distribution of EEO groups, is not shown.

ACTION PLAN FOR WOMEN

The Board continues to show its commitment to the Spokeswomen's program. Our Women's Liaison Officer is selected by the Chief Executive Officer. To enable women to fully participate in the work environment, management has developed and applied appropriate policies. The Women's Liaison Officer represents women in the Board's management and can mediate between female staff and the executive team.

There are female representatives on both the Coal Compensation Board and the Coal Compensation Review Tribunal. At least one female representative is also included in each selection panel for Board appointments.

The Women's Liaison Officer continues to disseminate information about the Spokeswomen's Program to female staff members throughout the year. Elections will be held to elect a Spokeswoman for the organisation.

ETHNIC AFFAIRS PRIORITIES STATEMENT 2004/05

The Board, and its Chief Executive Officer, are committed to achieving social justice, community harmony and economic and cultural opportunities through its work practices. As part of this commitment, the Board aims to provide for cultural and linguistic differences in the delivery of information and the promotion of the Board and its services.

The Board has a general policy of assisting claimants to understand their rights and obligations under the Board's legislation and there has been extensive liaison with native title claimants from Aboriginal communities in the reporting year.

Through arrangements with the Department of Primary Industries, interpreters (who are recipients of the Community Language Allowance Scheme) are available on an 'on call basis' to CCB staff as required.

All full-time Board staff are employed under a flexible working hours policy. This provides staff with the opportunity to structure their leave to meet cultural and ethnic requirements. The Board's management will respect and implement the appropriate government policies to provide leave for religious purposes throughout the year.

Ethnic Affairs Priority Strategies for the reporting year included:

- The utilisation of input from CCB and Primary Industries staff from ethnic, racial and ethno-religious groups in key areas in the practices of the Board, including language and cultural skills, where appropriate;
- all Board promotional and educational material was written in plain English;
- a policy that information be supplied in languages other than English, where a request is made;
- ensuring remaining scheme claimants, including native title claimants, were not disadvantaged for cultural or ethnic reasons;
- contracting the Department of Primary Industries to provide personnel and recruitment services; including the services of interpreters. This arrangement ensures CCB staff are included in training programs the Department conducts. Issues of cultural diversity are incorporated into all personnel activities. Job advertisements and position descriptions continued to specify that applicants should have a knowledge and understanding of the Ethnic Affairs Priorities Statement and the principles of cultural diversity;
- providing all new staff recruited with a policy induction package which included reference to the Board's priorities and requirements regarding cultural and ethnic issues; and
- revision of the complaints policy to provide a simple plain English pro-forma feedback and complaints form.

STATUTORY REPORTING (continued)

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DISABILITY ACTION PLAN PROGRESS

The Board's disability action plan was developed in November 1999 and submitted to the Ageing and Disability Department at the end of December 1999, as required under the *NSW Disability Services Act 1993*.

Areas for action investigated by the Board during the reporting year included physical access and access to information about the Board, the promotion of positive community attitudes, and appropriate training of staff. Access to the Board's current location is by lift. The Board's evacuation policy and procedures include procedures for assisting persons with reduced mobility or disabilities in case of the need for an evacuation.

The Board's relocation has necessitated a review of requirements to ensure appropriate access, safety for staff and visitors (with and without disabilities) and ease of movement.

CODE OF CONDUCT AND ETHICS

The Code of Conduct and Ethics for the Coal Compensation Board applies to all officers of the Board. It was developed by the Board, in consultation with staff, to form a basis for staff's personal behaviour and a framework for their decision making. The nature of the Board's work has meant that the staff behaviour is often subject to public scrutiny. External feedback indicates that officers of the Board have a high reputation for professionalism, ethical behaviour and helpfulness. Claimants, members of the public and fellow public servants have often commended the organisation for these high standards.

The Code formally sets out the Board's expectations of staff. It provides a benchmark against which staff can measure their behaviour.

There were no changes to the Board's code during the year. The Board's Code of Conduct and Ethics is scheduled for review in the 2005 reporting year to ensure it continues to meet best practice.

CUSTOMER SERVICE

OUR CUSTOMERS

Public acceptance of the Compensation and Reacquisition Schemes is of prime importance to the Board. To maintain good public relations the Board has actively sought to improve quality customer service.

The Coal Compensation Board has three groups of customers:

1. Claimants for coal compensation, restitution applicants and applicants for voluntary purchase;
2. NSW Government agencies and the Minister for Mineral Resources; and
3. Colliery owners and operators and companies involved in coal exploration.

Claimants have been informed of changes to Board policy through mailouts and updates to the Board's website.

Information has also been forwarded to owners of coal titles regarding the option of Voluntary Acquisition.

The Board's Guarantee of Service is detailed in this report and outlines our commitment to customer service.

CUSTOMER SERVICE QUALITY AND CONSUMER RESPONSE

The Board continued to monitor and respond to complaints throughout 2004/05, whether from claimants or companies involved in the coal industry. These complaints are recorded in the complaints database.

All complaints are answered within 10 working days. Where a complaint cannot be resolved by letter or telephone, staff members endeavour to meet with the complainant to seek resolution. The number of complaints received and their respective resolutions are reported each month at the Board meeting. This system enables identification of recurrent

issues, which may reflect procedural and systemic problems in the Board's operations.

The Board received 1 complaint in 2004/05.

The Board remains committed to resolving any issues of concern to claimants and finding areas in its operations where customer services can be improved.

PUBLIC RELATIONS

The Board continued its complaint monitoring program throughout the year in order to identify potential procedural problems. The Board's website was also used as a source of information for claimants with ready access to information brochures and current policies (www.ccb.nsw.gov.au).

The Board continued to maintain a high level of public contact by meeting with claimants, lobby groups and mining companies wherever appropriate in order to communicate the Board's intentions to claimants and other stakeholders.

GUARANTEE OF SERVICE

The Board guarantees to provide customers with the highest quality of service. To ensure that services meet the desired standard the Board guarantees to:

- to set and adhere to monthly and annual performance and efficiency targets for all major programs;
- to assess all claims that have been verified within 6 months of the model being accepted by the Board;
- to determine claims within 4 months of the date of dispatch of an assessment report to a claimant;
- review of all technical models of coal areas after 12 months following Board approval of the model for that area;
- to dispatch assessment reports within 5 working days of completion;
- to dispatch Notices of Determination within 3 working days of the Board meeting;

STATUTORY REPORTING (continued)

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- to issue new coal titles to restitution applicants within 9 months of the Minister's authorisation;
- to draw compensation cheques as per approved cash flow schedule;
- to respond to correspondence and complaints within ten working days of receipt;
- to provide information on claim progress on request;
- to maintain confidentiality on all details provided by claimants and colliery owners and on assessments and determinations;
- to report on the Board's progress monthly to the Board and the Minister, quarterly on the website and annually in the Board's Annual report;
- to respond to Ministerial or other Government agency correspondence within 10 working days of receipt or earlier if required;
- to monitor and upgrade service standards regularly;
- to provide access to all forms and required information by electronic means.

FREEDOM OF INFORMATION (FOI)

STATISTICAL INFORMATION

Applications brought forward from 2003/04: 0

Applications lodged 2004/05: 0

Applications processed: 0

Applications unfinished: 0

Applications granted in full: 0

Applications refused: 0

Statement of Affairs

Under the *Freedom of Information Act 1989*, the Board is required to publish an annual Statement of Affairs that:

1. describes the structure and functions of the agency; and

2. lists categories of documents held by the Board eligible for public scrutiny under the legislation and indicate how they can be obtained.

Publications Available to the Public

Summary of Affairs under FOI

Statement of Affairs under FOI – contained in the Board's Annual Report

Consolidated version of *Coal Acquisition (Compensation) Arrangements 1985* and amendments relating to the *Arrangements*

Guarantee of Service

Corruption Prevention Policy and Procedures

Coal Compensation Board Annual Reports

Information Brochures – Restitution, Reacquisition Scheme, Voluntary Acquisition, Consequential Loss, Interim Payments, Assessment Report Process, Guarantee of Service, Code of Conduct and Ethics, Your Guide to the Privacy and Personal Information Protection Act, and Dealing with the Board through an Agent

The following information satisfies the legislative requirements of the Act.

Structure and Function of the Board

The New South Wales Coal Compensation Board is responsible for the assessment of claims for compensation, the restitution of coal rights, the reacquisition of restored coal titles and the processing of requests for voluntary purchase of coal.

The following is a list of documents held by each area:

Assessment

Procedural Manuals

Assessment Reports

Claim and Application Files

Interim Payments Reports

Modelling

Colliery/Coal Area information
 Coal Area Reports, Plans, Maps
 Geological Reports
 Mining Reports

Mineral Economics

Economic Reports

Corporate Support and Information Services:

Procedures Manuals
 Board Minutes
 Agenda Papers
 Information Brochures on Board Processes
 Administrative Files (personnel, motor vehicles, financial)
 Register of Gifts, Benefits and Hospitality
 Annual Reports
 Register of Pecuniary Interests of Board Members
 Restored Titles Database
 Certificates of Title, Deposited Plans, Crown Grants
 Board Seal Usage
 Policy Register
 Restitution Register

Corporate Services

Consolidated version of *Coal Acquisition (Compensation) Arrangements 1985* and amendments relating to the *Arrangements*
 Guarantee of Service
 Code of Conduct
 Corporate and Business Plans
 Equal Employment Opportunity Policy
 Corruption Prevention Policy and Procedures
 Occupational Health and Safety Policy
 Ethnic Affairs Policy Statement
 Disability Action Plan

Energy Management Plan

Privacy and Personal Information Protection Plan

Complaints Register

Contact Arrangements

Enquiries should be directed to:

FOI Officer
 NSW Coal Compensation Board
 Level 5, 1 Castlereagh Street
 SYDNEY NSW 2000

GPO Box 2670
 SYDNEY NSW 2001

Tel: (02) 8226 5400

Fax: (02) 8226 5490

Email: admin@ccb.nsw.gov.au

Internet: <http://www.ccb.nsw.gov.au>

Access time: 8.30am to 4.30pm Monday to Friday

Enquiries may be made in person, by telephone, email, fax or post.

ELECTRONIC SERVICE DELIVERY

The Board's website provides a copy of the current Annual Report, significant Tribunal and Supreme Court decisions as well as matters of public interest.

Forms continue to be available to the Board's clients on the website.

ORGANISATIONAL STRUCTURE

PRIVACY AND PERSONAL INFORMATION PROTECTION

Under the requirements of the *NSW Privacy and Personal Information Protection Act 1998*, the Board developed a Privacy and Personal Information Protection Management Plan, which was submitted to the Office of the Privacy Commissioner. The Plan ensures that individuals' privacy rights are protected and gives them a degree of control over any information that the Board holds on them.

The Board's 'Privacy and Personal Protection Plan' came into effect on 1 July 2000, and continues to preserve the Board's strong record of ensuring that information held relating to individuals is used by the Board only for the purposes for which it was collected. The 12 information protection principles (IPPs), outlined in the *Privacy and Personal Information Act 1998* on collection, storage, use and disclosure of personal information, are followed by the Board. A brochure for claimants entitled "*Your Guide to the Privacy and Personal Information Act and the Coal Compensation Board*" is available.

PRODUCTION COSTS OF THE ANNUAL REPORT

Total Cost: \$21,399

LOCATION OF OFFICES

NEW SOUTH WALES COAL COMPENSATION BOARD

Sydney:

Level 5
1 Castlereagh Street
SYDNEY NSW 2000
GPO Box 2670 Sydney 2001
DX 90 Sydney

Tel: (02) 8226 5400
Fax: (02) 8226 5490
Toll Free: 1800 670 279

Email: admin@ccb.nsw.gov.au

Internet: <http://www.ccb.nsw.gov.au> (under re-construction)

Monday to Friday 8.30am to 4.30pm

Enquiries may be made in person, by telephone, email, fax or post.

Maitland:

516 High Street
MAITLAND NSW 2320
Tel: (02) 4931 6666
Fax: (02) 4931 6706

Monday to Friday 8.30am to 4.30pm



Maitland workforce

FINANCIAL STATEMENTS

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For the year ended 30 June 2005





GPO BOX 17
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

New South Wales Coal Compensation Board

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the NSW Coal Compensation Board:

- (a) presents fairly the Board's financial position as at 30 June 2005 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the Public Finance and Audit Act 1983 (the Act).

My opinion should be read in conjunction with the rest of this report.

The Board's Role

The financial report is the responsibility of the Members of the Coal Compensation Board. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows, the summary of compliance with financial directives and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides reasonable assurance to members of the New South Wales Parliament that the financial report is free of material misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by Users of the financial report, or indicate that the Members of the Board had not fulfilled their reporting obligations.

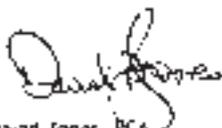
My opinion does not provide assurance:

- about the future viability of the New South Wales Coal Compensation Board,
- that the New South Wales Coal Compensation Board has carried out its activities effectively, efficiently and economically,
- about the effectiveness of its internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



David Jones, *PCA*
Director, Financial Audit Services

SYDNEY
20 October 2005

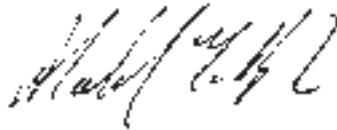
NSW COAL COMPENSATION BOARD

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE, 2005**

STATEMENT OF MEMBERS OF THE BOARD

Pursuant to the Public Finance and Audit Act 1983, we state that:

- (a) the accompanying financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Financial Reporting Code for Budget Dependent General Government Sector Agencies, the Public Finance and Audit Regulation 2000 and the Treasurer's Directions;
- (b) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate;
- (c) the financial statements exhibit a true and fair view of the financial position of the Board as at 30 June, 2005 and transactions for the year then ended.



Alastair Fotheringham
Chairperson



Maree Callaghan
Board Member

20 October, 2005



The accompanying notes form part of these statements

NSW COAL COMPENSATION BOARD
STATEMENT OF FINANCIAL PERFORMANCE
For period ended 30 June 2005

	Notes	Actual 2005 \$'000	Budget 2005 \$'000	Actual 2004 \$'000
Expenses				
Operating Expenses				
Employee Related	2a	3,368	4,040	2,450
Other operating expenses	2b	1,490	(61,692)	1,394
Maintenance		13	30	2
Depreciation and amortisation	2c	67	55	54
Other expenses	2d	(54,850)	–	135,168
Total Expenses		(49,912)	(57,567)	139,068
Less:				
Retained Revenue				
Sale of goods and services	3a	13	10	6
Investment income	3b	88	10	50
Total Retained Revenue		101	20	56
Gain/(loss) on disposal of non current assets	4	(7)	–	–
Net Cost of Services	18 & 19	(50,006)	(57,587)	139,012
Government Contributions				
Recurrent appropriation	6	44,017	45,745	23,604
Capital appropriation	6	300	390	50
Acceptance by the Crown Entity of employee entitlements and other liabilities	7	476	479	295
Total Government Contributions		44,793	46,614	23,949
SURPLUS/(DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES				
		94,799	104,201	(115,063)
Non Owner transaction changes in equity		–	–	–
Total revenues, expenses and valuation adjustments recognized directly in equity		–	–	–
Total Changes in equity other than those resulting from transactions with owners as owners	15	94,799	104,201	(115,063)

NSW COAL COMPENSATION BOARD
STATEMENT OF FINANCIAL POSITION
As at 30 June 2005

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	Notes	Actual 2005 \$'000	Budget 2005 \$'000	Actual 2004 \$'000
ASSETS				
Current Assets				
Cash	9	1,983	496	1,607
Receivables	10	219	32	134
Total Current Assets		2,202	528	1,741
Non-Current Assets				
Plant and Equipment	11	463	558	188
Total Non-Current Assets		463	558	188
Total Assets		2,665	1,086	1,929
LIABILITIES				
Current Liabilities				
Payables	12	45,105	45,000	30,159
Provisions	13	301	157	153
Other	14	1,819	299	1,366
Total Current Liabilities		47,225	45,456	31,678
Non-Current Liabilities				
Payables	12	49,865	40,626	159,543
Provisions	13	119	55	51
Total Non-Current Liabilities		49,984	40,681	159,594
Total Liabilities		97,209	86,137	191,272
Net Assets		(94,544)	(85,051)	(189,343)
EQUITY				
Accumulated Losses	15	(94,544)	(85,051)	(189,343)
Total Equity		(94,544)	(85,051)	(189,343)

The accompanying notes form part of these statements

NSW COAL COMPENSATION BOARD
STATEMENT OF CASH FLOW
For the year ended 30 June 2005

	Notes	Actual 2005 \$'000	Budget 2005 \$'000	Actual 2004 \$'000
CASH FLOWS – OPERATING ACTIVITIES				
Payments				
Employee related		(3,034)	(3,646)	(2,222)
Other		(1,319)	(2,243)	(1,607)
Compensation Payments		(39,876)	(40,000)	(20,015)
Total Payments		(44,229)	(45,889)	(23,844)
Receipts				
Sale of goods and services		13	10	7
Interest received		51	32	39
Other		(54)	144	113
Total Receipts		10	186	159
Cash Flows from Government				
Recurrent appropriation		45,836	45,836	24,970
Capital appropriation		300	390	50
Cash reimbursements from the Crown Entity		176	157	128
Cash transfers to Consolidated Fund		(1,366)	(1,366)	(519)
Net Cash Flows from Government		44,946	45,017	24,629
NET CASH FLOWS FROM OPERATING ACTIVITIES	19	727	(686)	944
CASH FLOWS – INVESTING ACTIVITIES				
Purchases of Plant and Equipment		(351)	(390)	(50)
NET CASHFLOWS FROM INVESTING ACTIVITIES		(351)	(390)	(50)
NET INCREASE/(DECREASE) IN CASH		376	(1,076)	894
Opening cash and cash equivalents		1,607	1,607	713
CLOSING CASH AND CASH EQUIVALENTS	9	1,983	531	1,607

NSW COAL COMPENSATION BOARD
Summary of Compliance with Financial Directives – 2005

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	Recurrent Appropriation \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000
ORIGINAL BUDGET APPROPRIATION/EXPENDITURE				
<ul style="list-style-type: none"> • <i>Appropriation Act</i> • Additional appropriations • Sec 21A PF&AA – special appropriations • Sec 24A PF&AA – transfer of functions between departments • Sec 26A PF&AA – Commonwealth specific purpose payments 	34,065	34,065	90	90
	34,065	34,065	90	90
OTHER APPROPRIATIONS/EXPENDITURE				
<ul style="list-style-type: none"> • Treasurer's Advance • Sec 22 – expenditure certain works & services • Transfers from another agency (See Sec 25 of the <i>Appropriation Act</i>) 	1,748	384	300	210
	35,023	9,568	–	–
	36,771	9,952	300	210
Total Appropriations/Expenditure/Net Claim on Consolidated Fund (Includes transfer payments)	70,836	44,017	390	351
Amount drawn down against Appropriation	–	45,836	–	300
Liability to Consolidated Fund	–	1,819	–	–

NOTES:

FRC The summary of compliance is based on the assumption that Consolidated Funds moneys are spent first (except where otherwise identified or prescribed.)

FRC If there is a liability to consolidated fund, the agency must state that this represents the difference between the "Amount Drawn Down against Appropriations" and the "Total Expenditure/Net Claim on Consolidated Funds"

The accompanying notes form part of these statements

NSW COAL COMPENSATION BOARD
Summary of Compliance with Financial Directives – 2004

	Recurrent Appropriation \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000
ORIGINAL BUDGET APPROPRIATION/EXPENDITURE				
• <i>Appropriation Act</i>	38,616	23,604	100	50
• Additional appropriations	1,339	–	–	
• Sec 21A PF&AA – special appropriations				
• Sec 24A PF&AA – transfer of functions between departments				
• Sec 26A PF&AA – Commonwealth specific purpose payments				
	39,955	23,604	100	50
OTHER APPROPRIATIONS/ EXPENDITURE				
• Treasurers Advance				
• Sec 22 – Expenditure certain works & services				
• Transfers from another agency (See Sec 25 of the <i>Appropriation Act</i>)				
	–	–	–	–
Total Appropriations Expenditure/Net Claim on Consolidated Fund (Includes transfer payments)	39,955	23,604	100	50
Amount drawn down against Appropriation	–	24,970	–	–
Liability to Consolidated Fund	–	1,366	–	–

The accompanying notes form part of these statements

NSW COAL COMPENSATION BOARD
Notes to and forming part of the Financial Statements
for year ended 30 June 2005.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The NSW Coal Compensation Board, (the Board) as a reporting entity, comprises all the activities under its control, including the Coal Compensation Review Tribunal in accordance with the requirements of the *Coal Acquisition (Compensation) Arrangements 1985*. The operating activities are associated with the Government's plans for either compensating or restoring coal rights to claimants who were former coal owners of private coal.

The reporting entity is consolidated as part of the NSW Total State Sector and as part of the NSW Public Accounts.

(b) Basis of Accounting

The Board was established as a statutory body however it prepares its financial statements in accordance with the financial reporting code as directed by the Treasurer. The Board's financial statements are a general purpose financial report, which have been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- the requirements of the *Public Finance and Audit Act, 1983* and Regulations; and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions will prevail.

In the absence of a specific Accounting Standard, other authoritative pronouncements of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 "Accounting Policies" is considered.

The financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency. The accounting policies adopted are consistent with those of the previous year except where stated.

The NSW Coal Compensation Board is now expected to cease operations from 31 March 2007. To facilitate this objective, further funding was made available in December 2004 through the State Budget to enable the Board to accelerate operations in order to achieve the Government's objectives of acquiring coal rights by this date.

(c) Transition to Adoption of International Financial Reporting Standards (AIFRS)

The Board will apply the Australian Equivalents to International Financial Reporting Standards (AEIFRS) from the reporting period beginning 1 July 2005.

The Board took the following steps to manage the transition to the new standards:

- An Action Plan was installed for the 2004–05 year leading to full implementation by 1st July 2005.
- Discussions took place during the year with the Audit Office of NSW and with NSW Treasury personnel regarding the application of relevant AEIFRS standards in the light of policies, procedures, systems and financial outcomes.

- The Accountant assumed responsibility for the project and reports on progress against the plan.

NSW Treasury has assisted the Board to date to manage the transition by developing policies, including mandates of options; presenting training seminars; providing a website with up-to-date information to keep the Board informed of any new developments; and establishing an AEIFRS Panel to facilitate a co-operative approach to manage change.

(d) Key Differences in Accounting Policies

The Board has determined the key areas where changes in accounting policies are likely to impact the financial report. To ensure consistency at the whole of government level, NSW Treasury has advised agencies of options it is likely to mandate for the NSW Public Sector. The impact disclosed below reflect Treasury's likely mandates (referred to as "indicative mandates" however we do not believe these will have an impact on the Board's results for 2004–05.

ACTION PLAN/TIMELINE

Phase	Action	Target Date	Responsible Officer
1	<p>Disclose likely impact of moving to AEIFRS in 2004 Financial Statements to comply with reporting disclosure – proforma to be provided by Treasury for the year ending 30 June 2004.</p> <ul style="list-style-type: none"> • An explanation of how the transition to AEIFRS is managed: and • A narrative explanation of key differences in accounting policies expected to arise 	11 Aug 04	Treasury/CCB Accountant
2	<p>Provide gap analysis of effect of adopting AEIFRS as compared to AASB – once AEIFRS has been approved by FRC.</p> <ul style="list-style-type: none"> • The Board is a small agency and impact could be minimal. Major areas for review: <ul style="list-style-type: none"> ■ Impairment test – valuation of Plant & Equipment ■ Revenue Recognition ■ Definition Cash in cash flow statement 	30 Sep 04	CCB Accountant
3	<p>Communication to Board Members and Senior Management – will be on a progressive basis once issues are identified and resource allocation defined. (Board Members meet once/month)</p>	Monthly	CCB Accountant/ CEO
4	<p>Submit draft opening Balance Sheet as at 1 July 2004 prepared under AEIFRS to Treasury</p>	15 Dec 04	CCB Accountant
5	<p>Submit final opening Balance Sheet as at 1 July 2004 prepared under AEIFRS to Treasury</p>	31 Mar 05	CCB Accountant
6	<p>Disclose finance impact of moving to AEIFRS in 2005 financial statements to Treasury</p>	31 Aug 05	CCB Accountant
7	<p>Prepare initial set of financial statements for 2005–06 financial year AEIFRS with 2004–05 comparative information to Treasury</p>	31 Aug 06	CCB Accountant

The Board's accounting policies may be affected by a standard designed to harmonise accounting standards with Government Finance Statistics (GFS). To date, the Board is not reporting results affected by this standard and full adoption standard is not expected until the 2005–06 financial year.

Application of Standards

Based on current information, the following is a brief summary of how AEIFRS changes are likely to impact on our existing accounting policies following adoption in the 2004–05 financial year.

- **AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards.**

Requires retrospective application of the new AEIFRS from 1 July 2004, with limited exemptions. An analysis to date has indicated that no significant change is required.

- **AASB 101 Presentation of Financial Statements**

The operating statement and balance sheet formats have been revised to net gains and losses on disposal of non-current assets and to ignore the significance of post balance date events on current and non-current liabilities.

- **AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors**

This requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds.

- The Board adopts the view that such changes will be recognised in the current period through profit or loss, unless requested otherwise.

- **AASB116 Property Plant and Equipment.**

The cost of an asset under this standard allows for recognition of restoration and inspection cost. There is also guidance on fair value, frequency of revaluation and accounting for spares. Borrowing

costs may be capitalized or expensed however NSW Treasury will mandate the latter option.

- The Board will not be allowing for the recognition of restoration and inspection costs as the vast majority of assets have a short lifespan and have been purchased outright. Current market value is important when disposing of an asset and borrowing costs (if any) are expensed.

- **AASB117 Leases**

Agencies are required to expense operating lease contingent rentals on a straight line basis over the lease term.

The Board currently complies with this procedure.

- **AASB119 Employee Benefits**

Superannuation

Crown and government agencies with defined benefit plans whose unfunded superannuation is not assumed by the crown can be adversely affected with higher liability, greater volatility in income statement/balance sheet results as the discount rate is based on market expectations.

The calculation and disclosure of unfunded liability can be ascertained under the balance sheet method (using Govt. Bond rate) or Disclosure in Notes (using expected rate of return on plan assets.)

The Board does not manage its own superfund and is not involved in investment activity. The Board will comply with the NSW Treasury agency likely mandate which is based on the bond rate.

Long service leave and other long term employee benefits

A detailed methodology is required based on the method used to calculate the defined benefit superannuation obligation.

The Board will comply with NSW Treasury mandate on Long Service Leave and other long term employee benefit plans.

- **AASB 137 Provisions, Contingent Liabilities and Contingent assets**

Assets are only recognized when 'virtually certain' (previously probable) and contingent assets are recognized only when 'probable' (previously likely). Provisions are recognized with the retirement or disposal of long lived assets. Additional disclosures are also required on the expected timing and uncertainty about timing of outflows of economic benefits to settle provisions

The Board has now settled the majority of claims (in terms of volume) and many of those that remain can now be elevated from the level of provision to that of a liability which can be reviewed monthly in the light of further information as this information becomes available.

(e) Revenue Recognition

Revenue is recognised when the Board has control of the goods or right to receive, it is probable that the economic benefits will flow to the Board and the amount of revenue can be measured reliably. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

(i) Parliamentary Appropriations Contributions from Other Bodies

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as revenues when the Board obtains control over the assets comprising the appropriations / contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at the year end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

The liability is disclosed in Note 14 as part of "Current Liability – Other." The amount will be repaid and the liability will be extinguished next financial year.

(ii) Sale of Goods and Services

Revenue from the sale of goods and services comprises revenue from the provision of products or services i.e. user charges. User charges are recognised as revenue when the Board obtains control of the assets that result from them.

(iii) Investment income

Interest revenue is recognised as it accrues.

(f) Employee Benefits and Other Provisions

(i) Wages and Salaries, Annual Leave, Sick Leave and On-Costs

Liabilities for wages and salaries, annual leave and vesting sick leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the entitlements accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee entitlements to which they relate have been recognised.

(ii) Long Service Leave and Superannuation

The Board's liabilities for long service leave and superannuation are assumed by the Crown Entity. The Board accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Entitlements and other Liabilities".

Long service leave is measured using the present value method. The liability is based on the remuneration rates at year end for all employees with five or more years of service. The present value method has been adopted from the year ending 30 June 2004 following the introduction of Treasury Circular 03/08 "LSL Pool Accounting for Long Service Leave." The nominal method employed in previous years is no longer acceptable.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(g) Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- the amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- receivables and payables are stated with the amount of GST included.

(h) Insurance

The Board's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past experience.

(i) Acquisitions of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Board. Cost is determined as the fair value of

the assets given as consideration plus the costs incidental to the acquisition.

(j) Plant and Equipment

Items of Plant and equipment costing \$5,000 and above purchased individually are capitalised. This policy was adopted to comply with NSW Treasurer's Direction 460.04. Networked computer assets have also been capitalised in line with NSW Treasurer's Guidelines for Capitalisation of Expenditure in the NSW Public Sector.

Other items costing less than \$5,000, which are at risk of loss by misappropriation will be expensed and recorded in the Record Only Register.

(k) Depreciation of Non-Current Physical Assets

Depreciation is provided for on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the entity. The following depreciation rates were applied to the assets of the Board.

Office Equipment	20%
Computers	20%
Furniture	7.5%

(l) Leased Assets

A distinction is made between finance leases which transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the inception of the lease. The corresponding liability is established at the same amount.

Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred.

(m) Maintenance and Repairs

The cost of maintenance is charged to expense as incurred, except where the transaction relates to replacement of a component of an asset, in which case the costs are capitalised and depreciated.

(n) Valuation of Coal Compensation Claims

Assessment of claims are prepared in accordance with the guidelines established in the Arrangements and the *Coal Ownership (Restitution) Act 1990*.

(o) Financial Instruments

Financial Instruments give rise to both a financial asset of one entity and a financial liability (or equity instrument) of another entity. For the Coal Compensation Board these include cash at bank, receivables and creditors. The carrying amount of these assets and liabilities approximates the net fair value. All financial instruments are recognised in the Statement of Financial Position.

(p) Cash

Cash comprises cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (Tcorp) 11am unofficial cash rate adjusted for management fee to The Treasury of NSW. The deposits at balance date were earning an average interest rate of 4.50% (4.25% for 2003–2004) whilst over the year, the weighted average interest rate was 4.09% (4.06% for 2003–2004).

(q) Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is realised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is charged or earned by the Board on trade debtors.

(r) Payables

These amounts represent liabilities for goods and services provided to the Board and other amounts, including interest. Where relevant, Interest is accrued over the period it becomes due.

(s) Budgeted Amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year together with any adjustments for the effects of additional appropriations, s 21A, s 24 and/or s 26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the Statement of Financial Performance and the Statement of Cash Flows are generally based on the amounts disclosed in the NSW Budget Papers. However, in the Statement of Financial Position, the amounts vary from the Budget Papers, as the opening balances of the Budgeted amounts are based on the carried forward actual amounts, ie per the audited financial statements (rather than carried forward estimates).

2. EXPENSES

(a) Employee related expenses comprise the following specific items:

	2005 \$'000	2004 \$'000
Salaries and wages (including recreation leave)	2,514	1,997
Redundancies	125	–
Superannuation	327	231
Long service leave	136	50
Workers compensation insurance	11	12
Payroll tax and fringe benefit tax	167	106
Employee entitlements (On-cost)	67	34
Other	21	20
	<u>3,368</u>	<u>2,450</u>

In 2004–05 the liability for superannuation entitlements, \$327,050 (\$230,869 in 2003–2004), long service leave, \$135,758. (\$50,438 in 2003–2004) and \$13,704 in Payroll Tax on Superannuation entitlements (\$13,600 in 2003–2004) was assumed by the State. The overall cost of \$476,512, which was raised in the accounts of the Board, was offset by an equivalent amount included under the heading of Acceptance by the Crown Entity (\$294,907 in 2003–2004).

Employee entitlements (on-cost) totalling \$67,096 (\$34,240 in 2003–2004) have been calculated using the present value method. This reflects an increase in 2004–2005 financial year in accordance with Accounting Standard (AAS 30). On-costs are not assumed by the Crown Entity and are the responsibility of the Board.

(b) Other operating expenses

	2005 \$'000	2004 \$'000
Auditor's remuneration – audit of the financial report	25	24
Board fees	85	80
Consultancies	73	215
Fees for services rendered	541	622
Insurance	14	13
Internal Audit Bureau	28	24
Other	189	123
Rental and cleaning expense	287	163
Stores and provisions	98	44
Travelling expenses	85	42
Coal Compensation Review Tribunal	65	44
	<u>1,490</u>	<u>1,394</u>

(c) Depreciation and amortisation expense

	2005	2004
	\$'000	\$'000
Computer & office equipment	67	54

(d) Other expenses

	2005	2004
	\$'000	\$'000
Repurchase of Property Rights	33,498	–
Compensation – cash payments	6,330	20,015
Movements in Assessed Claims Provision	(94,678)	115,153
	(54,850)	135,168

Since the Board commenced operations a cash total of \$681,680,473 in compensation payments (\$641,852,734 in 2003–04) has been made.

3. REVENUES

(a) Sale of goods and services

	2005	2004
	\$'000	\$'000
Appeal Fees	–	3
Sundry Income	12	–
Transcription Fees and Other	1	3
	13	6

This reflects the lodgment of appeals and sale of transcripts by the Coal Compensation Review Tribunal.

(b) Investment Income

	2005	2004
	\$'000	\$'000
Interest Income	88	50

Represents interest received and receivable on the Board's bank account held at the Westpac Bank.

4. GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS

	2005	2004
	\$'000	\$'000
Proceeds from sale of plant and equipment:		
Proceeds from sale	1	–
Written down value of assets sold	(8)	–
Net gain/(loss) on disposal of plant and equipment	(7)	–

5. INDIVIDUALLY SIGNIFICANT ITEMS

Included in Net Cost of Services is the following Individually Significant Item:

	2005 \$'000	2004 \$'000
Other expenses		
– Movements in Assessed Claims Provision	(94,678)	115,153
	<u>(94,678)</u>	<u>115,153</u>

6. APPROPRIATIONS

	2005 \$'000	2004 \$'000
Recurrent appropriations		
Total recurrent drawdowns from Treasury (per Summary of Compliance)	45,836	24,970
Less: Liability to Consolidated Fund (per Summary of Compliance)	1,819	1,366
Less: Repaid to Consolidate Fund (per Summary of Compliance)	–	–
Total	<u>44,017</u>	<u>23,604</u>
Comprising:		
Recurrent appropriations (per Statement of Financial Performance)	44,017	23,604
Transfer payments	–	–
Total	<u>44,017</u>	<u>23,604</u>
Capital Appropriations		
Total capital drawdowns from Treasury (per Summary of Compliance)	300	50
Less: Liability to Consolidated Fund (per Summary of Compliance)	–	–
Total	<u>300</u>	<u>50</u>
Comprising:		
Capital appropriations (per Statement of Financial Performance)	300	50
Transfer payments	–	–
Total	<u>300</u>	<u>50</u>

7. ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE ENTITLEMENTS AND OTHER LIABILITIES

	2005 \$'000	2004 \$'000
Superannuation	326	231
Payroll tax	14	14
Long Service Leave	136	50
	<u>476</u>	<u>295</u>

8. PROGRAMS / ACTIVITIES OF THE BOARD

(a) Program 1 – Compensation Scheme

The NSW Coal Compensation Board is an independent authority with the role of determining claims from former owners of coal whose coal was acquired by the State through the *Coal Acquisition Act 1981*.

The *Coal Acquisition (Compensation) Arrangements 1985* sets out the detailed rules by which the Coal Compensation Scheme operates. It is administered by the Coal Compensation Board and payments are from the Coal Compensation Budget.

(b) Programs 2 – 4 (inclusive) – Restitution, Reacquisition and Voluntary Schemes

The NSW Coal Compensation Board also administers the role of determining claims from former owners of coal holdings who seek restoration of coal ownership under the Coal Ownership Restitution Act 1990, owners who wish to voluntarily transfer their coal rights back to the Crown for appropriate consideration and thirdly, the reacquisition of coal rights for coal acquired by the crown after 1997.

The Coal Acquisition (Re-acquisition Arrangements) Order 1997 sets out the detailed rules by which compensation is determined for re-acquired coal rights. It is administered by the Coal Compensation Board and payments are from the Coal Re-Acquisition Budget and the Voluntary Scheme budget as appropriate. The legislation also provides for compensation payable in relation to consequential loss claims relating to the reacquisition of coal.

The Coal Ownership (Restitution) Regulation 2005 regulates the manner of making applications for the restitution of ownership of coal under the Coal Ownership Restitution Act 1990 and the procedures for dealing with those applications.

9. CURRENT ASSETS – CASH

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at bank and bank overdraft. Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:

	2005 \$'000	2004 \$'000
Cash at Bank	1,981	1,606
Cash on hand	2	1
Closing cash and cash equivalents	<u>1,983</u>	<u>1,607</u>

10. CURRENT ASSETS – RECEIVABLES

	2005 \$'000	2004 \$'000
Sundry Debtors	83	12
Interest Receivable	46	30
GST Receivable	85	31
Rec LSL Payments	5	–
Prepayments	–	61
	<u>219</u>	<u>134</u>

11. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

(a) Plant and Equipment

	2005 \$'000	2004 \$'000
At Fair Value	797	539
Less: Accumulated Depreciation	334	351
Total Plant and Equipment At Net Book Value	<u>463</u>	<u>188</u>

(b) Reconciliation

Reconciliation of the carrying amount of plant and equipment at the beginning and end of the current and previous financial year are set out below.

	2005 \$'000	2004 \$'000
Plant and Equipment:		
Carrying amount at start of year	188	194
Additions	351	50
Disposals	(7)	–
Depreciation expense	(69)	(54)
Other movements (transfers)	–	(2)
Carrying amount at end of year	<u>463</u>	<u>188</u>

12. CURRENT AND NON-CURRENT LIABILITIES – PAYABLES

	2005 \$'000	2004 \$'000
Current		
Accrued salaries and wages	4	76
Assessed Claims Provision	45,000	30,000
Creditors	101	83
	<u>45,105</u>	<u>30,159</u>
Non-Current		
Assessed Claims Provision	23,081	103,791
Pecuniary Loss Claims	14,854	4,384
Appeals	11,930	51,368
	<u>49,865</u>	<u>159,543</u>
Total Payables	<u>94,970</u>	<u>189,702</u>

As at 30 June 2005 for the Compensation Scheme, there remained 11 claims to be assessed, (12 in 2003–04), 28 claims in Litigation (34 in 2003–04) and 5 Pecuniary Loss claims, (16 in 2003–04) amounting to \$32.45 million (\$35.06 million in 2003–04) including interest of \$1.29 million. A total of 193 Native Title Claims were still to be determined as at 30 June 2005 (481 in 2003–04). Of those processed, 260 have been classed as refused.

The Re-acquisition Scheme comprised 22 claims still to be determined, (17 in 2003–04) Nil approved but unpaid (5 in 2003–04), 74 consequential loss claims (63 in 2003–04) and 102 refused restitution claims (147 in 2003–04) to be determined, amounting to \$62.42 million, including interest of \$10.47 million. A total of 19 voluntary acquisition applications (22 in 2003–04) were still to be determined.

13. CURRENT AND NON-CURRENT LIABILITIES – PROVISIONS

	2005 \$'000	2004 \$'000
Recreation leave	226	140
Recreation leave (On Costs)	75	13
	<u>301</u>	<u>153</u>
Aggregate employee benefits and related on-costs		
Provisions – current	301	153
Provisions – non-current	119	51
Accrued salaries, wages and on-costs (see Note 12)	4	76
	<u>424</u>	<u>280</u>

14. CURRENT LIABILITIES – OTHER

	2005 \$'000	2004 \$'000
Liability to Consolidated Fund	1,819	1,366
	<u>1,819</u>	<u>1,366</u>

15. CHANGES IN EQUITY

	Accumulated Funds		Total Equity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Balance at the beginning of the financial year	(189,343)	(74,280)	(189,343)	(74,280)
Changes in equity – other than transactions with owners as owners				
Surplus/(deficit) for the year	94,799	(115,063)	94,799	(115,063)
Balance at end of the financial year	<u>(94,544)</u>	<u>(189,343)</u>	<u>(94,544)</u>	<u>(189,343)</u>

16. COMMITMENTS FOR EXPENDITURE

	2005 \$'000	2004 \$'000
(a) Other Expenditure Commitments		
Aggregate other expenditure contracted for at balance date but not provided for		
Not later than one year	449	46
Later than one year and not later than 5 years	449	–
Total (including GST)	<u>898</u>	<u>46</u>
(b) Operating Lease Commitments		
Future non-cancellable operating lease rentals not provided and payable:		
Not later than one year	37	124
Later than one year but not later than 5 years	27	–
Total (including GST)	<u>64</u>	<u>124</u>

Other expenditure commitments are not recognised in the Statement of Financial Position as liabilities and relate to the rental of office space at Castlereagh Street Sydney, Maitland in NSW and at Elizabeth Street in Sydney. Also included under this heading is a Service Agreement with the Department of Primary Industries in Orange which expires 30 June 2007.

The operating lease agreement relates to the lease of motor vehicles by the Board, four of which are based in Sydney and two in Maitland. All vehicles are leased through Statefleet and terms are expected to expire by 30 June 2007.

17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Native Title

The NSW Coal Compensation Board has received 591 claims from Local and State Aboriginal Land Councils for compensation for the loss of coal rights. By the end of June 2005, the Board had processed 398 claims of which 260 were ineligible for compensation.

The Aboriginal Land Councils were asked to nominate traditional owners as the Land Councils which were created in 1983 cannot have been owners in 1981 and can only act as agents for the traditional owners. To date, the Board still has 143 of these claims to process with 260 refused through the inability or failure of the Land Councils to nominate traditional owners. Evidence has been provided for 50 claims which will be considered at a later date. On the basis of information provided to date, the Coal Compensation Board's estimate of its contingent liability is Nil.

Contingent Assets

The total of commitments for expenditure includes input tax credits of \$36,423 that are expected to be recovered from the Australian Taxation Office

18. BUDGET REVIEW

Net cost of services

The actual net cost of services for the year ended 30 June 2005 was lower than budget by \$7.587 million. This was primarily due to the following reasons:

- Employer related expenses were under budget by \$543,000.
- The Board was granted additional funding of \$35 million to pay compensation however only \$10 million of the advance was able to be spent to June 2005.
- Other Operating Expenses were under budget by \$765,000.
- During 2005 there were significant increases in cost owing to the enforced move of staff from St Leonards to Sydney and Maitland. A supplementary budget of \$1.748 million in total was approved by NSW Treasury in December 2004 to cover additional expenditures required to hire more staff and accelerate the payment of compensation to claimants. The Board's working life was extended to 31 March 2007 as a consequence. A major portion of this additional budget was not used by the Board owing to difficulties in hiring staff and in arranging suitable office accommodation
- Other expenses relate to the compensation expenses of the NSW Coal Compensation Board. A review of the liability in June 2004 showed that the cost of the scheme had increased to \$189.543 million. Since the 1st July 2004 the Board have paid \$39.8 million in compensation and through legislation enacted in April and May 2005 removed the ad valorem and super royalties reducing compensation down to \$94.86 million by 30 June 2005.
- Under the principles of accrual accounting in order to recognise the decrease in the liability for compensation a negative expense entry was required and this is reported in the Board's Statement of Financial Performance.

Assets and liabilities

The Board was granted a total of \$390,000 to spend on asset replacement during the 2004–05 year of which a total of \$300,000 was spent by 30 June 2005.

NSW COAL COMPENSATION BOARD
Notes to and forming part of the Financial Statements
for year ended 30 June 2005.

The marginal increase in staff related liabilities is primarily due to increases in the number and quality of staff hired during the 2004–05 year. The Board's programme of acceleration of activity will continue until March 2007.

Cash flows

The variance between actual and budgeted amounts reflects the downward movement in overall compensation liability due to legislative initiatives and reflects a more concentrated payout of compensation than originally budgeted.

19. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES

	2005 \$'000	2004 \$'000
Net Cash used on operating activities	(727)	(944)
Cash Flows from Government appropriations	44,946	24,629
Depreciation	67	54
Acceptance by Crown Entity of Employee and other liabilities	363	175
Increase or (decrease) in provisions	150	80
(Increase) or decrease in payables	5,079	115,081
Increase or (decrease) in receivables	85	(13)
Increase or (decrease) in prepayments	50	(50)
Net Gain or (loss on sale) of plant & equipment	(7)	–
Net Cost of Services	\$50,006	\$139,012

20. LIQUIDITY ISSUE AND ECONOMIC DEPENDENCY

At balance date, total liabilities exceeded total assets by \$94.544 million (2003-2004: \$189.343 million). As a consequence, the Board's ability to discharge its obligations as and when they become due, is dependent on supplementary funding from Treasury. The Treasurer has approved for such additional funding requirements to be met.

21. BOARD MEMBERS PECUNIARY INTEREST

No Board Members have any pecuniary interests in the decisions of the Board. Mr A. Coutts as Director-General of the Department of Mineral Resources and Mr H Bowman as Chief Executive Officer of the Coal Compensation Board are remunerated for those positions only. Other Board Members receive statutory remunerations.

End of Audited Financial Statements

General Expenditure

A total of \$780.724 million in Recurrent and Capital Consolidated Funds has been provided to the Board to 30 June 2005 in order to finance the Government's program of providing for:

1. Optional restitution of coal rights to former private owners whose coal was outside a colliery holding on 1 January 1986; and
2. Equitable compensation for others.

This expenditure covers both compensation payments and the administrative cost of implementing the program.

During 2004/05, a total Consolidated Fund appropriation of \$44.401 million was provided. This comprised \$40 million for compensation payments and \$4.401 million for the cost of administering the Scheme.

All payments were made within the agreed time scale to meet the payment performance target.

The Board was originally provided with \$30 million for compensation payments on the 1st July 2004 and an additional \$35 million was made available in March 2005 to accelerate the program. However, by 30 June 2005, only \$39.83 million of the total (\$65 million) was actually spent. The balance of \$25.2 million was not drawn down by the Board in 2004–05.

The Board has continued to finalise claims on an equitable basis to the full extent of funds budgeted. Compensation cash payments during the year comprised:

	\$'000	\$'000
Compensation Scheme		
Final compensation payments	5,078	
Interim compensation payments	1,150	
Interest	102	
Sub Total		6,330
Reacquisition Scheme		
Preliminary payments	0	
Voluntary Scheme payments	0	
Interim payments	33,305	
Final payments	179	
Interest	14	
Sub Total		33,498
Total Paid – All Schemes		\$39,828

COMPENSATION – ALL PROGRAMS

Since inception of the Board, compensation has been paid as follows:-

Compensation Scheme	Accumulated Funds			Total Equity
	"A" Claim \$ Million	"B" Claim \$ Million	"C" Claim \$ Million	Claim \$ Million
1985–86	1.0	1.2	–	2.2
1986–87	6.4	15.5	–	21.9
1987–88	1.6	1.3	–	2.9
1988–89	13.9	14.9	–	28.8
1989–90	17.3	16.8	0.3	34.4
1990–91	14.4	32.5	1.8	48.7
1991–92	6.0	18.1	1.5	25.6
1992–93	16.8	27.4	5.9	50.1
1993–94	17.1	25.8	7.0	49.9
1994–95	3.1	39.7	16.7	59.5
1995–96	1.6	22.8	25.5	49.9
1996–97	2.7	13.0	34.2	49.9
1997–98	0.4	13.9	30.8	45.1
1998–99	3.9	1.6	27.0	32.5
1999–00	0.0	7.5	14.3	21.8
2000–01	0.0	2.0	5.8	7.8
2001–02	0.0	0.5	7.0	7.5
2002–03	0.0	1.7	2.1	3.8
2003–04	0.0	1.3	0.2	1.5
2004–05	2.9	1.1	2.3	6.3
Total	109.1	258.6	182.4	550.1
Reacquisition and Voluntary Schemes				\$ Million
1997–98				10.7
1998–99				27.5
1999–00				15.8
2000–01				17.4
2001–02				1.9
2002–03				6.2
2003–04				18.4
2004–05				33.5
Total				131.4
TOTAL – All Programs				681.5

Notes:

"A" Claim refers to claims for compensation under clause 10 of the Arrangements by former coal owners who are holders of relevant colliery holdings.

"B" Claim refers to claims for compensation under clause 11 of the Arrangements by former coal owners who are not holders of relevant colliery holdings.

"C" Claim refers to claims for compensation under clause 12 of the Arrangements by persons who have suffered a pecuniary loss.

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CONSULTANCIES

There were nine consultancy engagements costing less than \$30,000 each during 2004–05. The total cost of these consultancies was \$62,948, comprised of the following categories:

Purpose of Consultancy	Expenditure \$
Management Services	4,595
Organisation Review	37,735
Information Technology	4,014
Engineering Software	16,604

PAYMENT OF ACCOUNTS

Period Total	% Paid on Time	Dollar Value Paid on Time
1/07/2004 to 30/09/2004	100	\$5,943,391
1/10/2004 to 31/12/2004	100	\$9,518,195
1/01/2005 to 31/03/2005	100	\$2,829,098
1/04/2005 to 30/06/2005	100	\$26,536,180

All accounts received were paid within the 30 days stipulated in Treasury Directions. The Board will continue to set a target of 100% in paying its accounts on time.

VARIATION BETWEEN ACTUAL AND BUDGET: 2004-05

The results of the year's operations compared with budgeted amounts are as follows. During the year the Board's original budget was increased \$1.748 million in recurrent and \$0.3 million in capital expenditure. These additions have been incorporated into the comparison below.

	Actual 2004–05 \$'000	Budget 2004–05 \$'000
EXPENSES		
Salaries and wages	2,604	3,110
Superannuation entitlements	327	309
Payroll tax & fringe benefit tax	167	175
Long service leave	136	152
Workers' compensation insurance	11	15
Redundancy	125	263
Board fees	85	85
Consultancies	63	105
Rent and cleaning	287	476
Fees for services	614	668
Audit fees: Audit Office	25	38
Audit fees: Internal Audit Bureau	28	23
Insurance	14	35
Stores and provisions	98	108
Travelling expenses	85	78
Other expenses	126	519
Maintenance	13	30
Depreciation	65	55
Compensation	(54,850)	(63,877)
Tribunal expenses	65	66
Total Expenses	(49,912)	(57,567)
REVENUES		
Appeal fees and Other Income	13	10
Investment Income	88	10
Gain/(loss) on disposal of non-current assets	(7)	0
Government contributions	44,793	46,614
Total Revenues	44,887	46,634
Surplus / (Deficit) for the year	(94,799)	(104,201)

OUTLINE OF BUDGET FOR FINANCIAL YEAR 2005–06

	Budget 2005–06 \$'000
EXPENSES	
Operating Expenses	
• Employees related	6,264
• Other Operating Expenses	3,157
Maintenance	30
Depreciation	90
Coal Compensation Payments	45,000
TOTAL EXPENSES	54,541
REVENUES	
User Charges	5
Other	5
TOTAL REVENUES	10
NET COST OF SERVICES	54,531
GOVERNMENT CONTRIBUTIONS	
Crown Transactions:	
• Recurrent appropriation	54,341
• Capital appropriation	100
• Cash Reimbursements from the Consolidated Fund Entity	Nil
GOVERNMENT CONTRIBUTIONS	54,441
SURPLUS/ (DEFICIT) FOR THE YEAR	(90)

Notes:

1. The proposed budget is based on the level of Consolidated Fund support as indicated in the 2005–2006 Recurrent Budget Allocation.
2. The above budget was approved by the Board at meeting No. 281 dated 22 July 2005 and advised to NSW Treasury as forward estimates in August 2005.

NSW COAL COMPENSATION REVIEW TRIBUNAL ANNUAL REPORT

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As in previous years this report on the activities of the New South Wales Coal Compensation Review Tribunal, for the period 1 July 2004 to 30 June 2005 is published with the Annual Report of the Coal Compensation Board.

The Tribunal is established under the *Coal Acquisition (Compensation) Arrangements 1985*. It is an independent Authority that hears and adjudicates on appeals arising from determinations by the Coal Compensation Board under those *Arrangements* and the *Coal Acquisition (Reacquisition Arrangements) Order 1997*.

MEMBERSHIP

Mr G R Leader (Chairperson)

Mr Leader is a solicitor of the Supreme Court and holds a Diploma of Criminology. He was a Stipendiary Magistrate from 1971 until his retirement in 1995. Mr Leader was also Deputy Chairperson of the Serious Offenders Review Council, Chairperson of the Charter Fishing Boats Review Panel and Independent Chairperson of the Advisory Council on Commercial Fishing.

Ms C Forbes (Deputy Chairperson)

Ms Forbes is a part time Magistrate, a Mining Warden and an Industrial Magistrate. She has practised as a solicitor with the Department of Motor Transport, in private practice and as a public solicitor providing criminal legal aid. Ms Forbes was appointed a Magistrate of the Local Court in 2001.

Mr F Fairclough

Mr Fairclough is a Bachelor of Science, Mining Engineering. He has extensive experience in the coal mining industry both in the United Kingdom and Australia. Mr Fairclough is a Certificated Colliery Manager and a Chartered Engineer. He was Chief Mining Engineer for the Joint Coal Board.

Ms L E Pogson

Ms Pogson is a Bachelor of Science (Geology) and holds masters degrees in Applied Science (Geology) and business administration. She was engaged in the mining industry for 15 years as a Geologist followed by seven years as a merchant banker. At present she operates as a business consultant.

Emeritus Professor F F Roxborough AM

Professor Roxborough was Professor of Mining Engineering at the University of New South Wales from 1975 to 1997 when he retired and was head of the Mining School at the University for most of that time. In addition to his academic qualifications, Professor Roxborough is a Certificated Colliery Manager and a Chartered Professional Engineer. He has a long standing and continuing involvement with the coal mining industry both in Australia and overseas.

Professor C Ward

Professor Ward is a Professor of Geology at the University of New South Wales and specialises in Coal Geology, especially coal mining geology and coal petrology. He has been a senior lecturer at the University of Technology, Sydney, and has extensive research and consultancy experience in coal and petroleum geology.

OPERATIONS

There were 91 appeals outstanding at 1 July 2004. During the year a further 2 appeals were lodged by Muswellbrook Shire Council.

Of that total of 93 appeals, 67 were disposed of during the year as indicated below and 26 remain outstanding:

Appeals Allowed	–
Determined by Consent	67
Appeals Dismissed	–
Withdrawn	–
No Jurisdiction	–
Appeals Outstanding	26
Total	93

Many of the outstanding appeals were resolved as a result of the finalisation of the Nardell Colliery test case.

All 26 appeals outstanding at 30 June 2005 were for the Muswellbrook Shire Council and they are presently listed for hearing.

In Appeal No. CCRT 1999/11 by The Nardell Colliery Pty Limited, following the directions of the Court of Appeal on 2 March 2004, the Tribunal on 7 September 2004 noted the findings and orders of the Court of Appeal and confirmation of the directions of the Tribunal on 17 April 2002 in relation to the value of the factor "e", and remitted the claims to the Board for redetermination in accordance with directions by the Tribunal in relation to super royalties when calculating the value of "r", front end payments and in respect of the method of calculating the value of "e".

In the Estate of ARS Bowman – (Appeal No. CCRT 2001/102) the Tribunal, on 11 October 2004, by consent, allowed the appeal and remitted the claim to the Board for reconsideration with a direction to vary its determination in accordance with its directions in respect of Appeal No. CCRT 1999/11 – The Nardell Colliery Pty Limited.

In the Estate of SS Ellis – (Appeal No. CCRT 2002/15) the Tribunal, on 4 August 2004, by consent, allowed the appeal and remitted the claim to the Board for reconsideration with a direction to vary its determination by correctly assessing the amount of compensation using a rate for "r" in accordance with the direction of the Court of Appeal in The Nardell Colliery Pty Limited appeal.

In the appeal of AW MASLIN – (Appeal No. CCRT 2001/74) the Tribunal, on 27 April 2004, by consent, allowed the appeal and remitted the claim to the Board for re-consideration with a direction to vary its determination by correctly assessing the amount of compensation (to include intention of mining into the Farrell's Creek Area).

On 22 March 2005 the Tribunal determined two appeals by the Estate of John Joseph Franks in respect of claims for compensation for pecuniary loss under the provisions of clause 9(2) of the *Coal Acquisition*

(*Compensation Arrangements 1985*). The parties agreed that it was "just and equitable" that the Appellant be paid compensation in respect of pecuniary losses. The Tribunal determined that the amount of compensation for a claim arising under clause 9(2) should be "just and equitable". It allowed the appeals and remitted the claims to the Board "to vary its determination by correctly assessing the amount of compensation in each case as "just and equitable" compensation and by the application of a discounted cash flow formula which effectively complies with the one in the *1997 Order* and the decision of the Court of Appeal in *New South Wales Compensation Board versus The Nardell Colliery Pty Limited (2004) NSWCA 35*.

In November 2004 Tribunal members undertook a visit to open-cut and underground coal mines in the Western coalfield, notably the Cullen Valley and Ulan Collieries. This was primarily to keep members abreast of technical developments in local coal mining and to introduce the Tribunal's new members to relevant mining operations.

The Tribunal notes the death on 23 March 2005 of former member Mr John Smith. Mr Smith was appointed to the Tribunal at its inception following a distinguished career in coal mine management in the private sector, as a Government Inspector of Mines and as a Board Member of the Joint Coal Board. Mr Smith was an official representative and frequently led Australian delegations to several parts of the world where coal mining is a significant enterprise.

Mr Smith served as a member of the Tribunal for 19 years and contributed to every significant decision made by the Tribunal to date, including The Nardell Colliery Pty Limited test case. His contribution in respect to disputed technical issues and in a preponderance of cases, issues of legal interpretation of legislation pertaining to the functions of the Tribunal was invaluable. It was recognised and appreciated by all who came to the Tribunal.

Mr Smith did not seek re-appointment to the Tribunal after 30 June 2004 due to ill-health. His absence from the Tribunal is sadly missed by all members.

We were very sorry to lose the services of Mrs Diane Glass who was the Registrar of the Tribunal for seven years and set a standard of excellence in performing the duties of that position which the Tribunal expect will continue. She is replaced by Mrs Marie Stephens.

In November 2004 the office of the Tribunal relocated from St Leonards to Level 6, 201 Elizabeth Street, Sydney.

Tribunal Funds

The Tribunal receives an allocation of funds in the budget for coal compensation approved by the Minister.

A summary of the Tribunal's expenses incurred is included in the financial statements furnished by the Board.

	ACTUAL 2004/05 \$	BUDGET 2004/05 \$
INCOME:		
Appeal Fees	0	1,000
Transcript Fees	1,131	0
Total	1,131	1,000
EXPENDITURE:		
Administrative Expenses, Temporary Assistance and Associated Charges	8,101	24,000
Tribunal Members Fees	29,576	20,000
Fees for Services Rendered:		
Rent & Cleaning	17,918	10,000
Other Expenses	8,943	12,000
Total	64,538	66,000

Tribunal Budget 2005/2006:

The Tribunal has proposed the following outline budget to cover its operations for 2005/2006.

Estimated Income for Lodgement of Appeals:

1,000

EXPENDITURE:

Estimated Salary and On-Costs

48,000

Estimated Non-Salary Expenditure

47,000

Bringing the Total Budgeted Expenditure to:

95,000

NEW SOUTH WALES COAL COMPENSATION REVIEW TRIBUNAL OFFICE

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GPO Box 2670 Sydney 2001

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NSW Coal Compensation Board